

REDACTED – FOR PUBLIC INSPECTION

June 24, 2016

VIA ECFS

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, S.W.
Washington, D.C. 20554

RE: **REQUEST FOR CONFIDENTIAL TREATMENT**
WC Docket No. 14-58 - ETC Annual Reports and Certifications

Request that Information Submitted to the Commission be Withheld from Public Inspection Pursuant to 47 C.F.R. §0.459 and 5 U.S.C. §552(b)(4): Five-Year Service Quality Improvement Plan Progress Report included in FCC Form 481

Confidential Information – Subject to Protective Order Before the Federal Communications Commission

Dear Ms. Dortch:

In accordance with the annual reporting requirements of 47 C.F.R. §§54.313 and 54.422, Peoples Telephone Cooperative, Inc. (the Cooperative), Study Area Code 442130, is submitting a completed FCC Form 481 to the Commission via its Electronic Comment Filing System (ECFS) in WC Docket No. 14-58. *The version of the Cooperative's FCC Form 481 submitted via ECFS is a redacted version of the filing that contains no confidential information.*

The Cooperative, by its authorized representative, hereby requests confidential treatment of two attachments to its FCC Form 481: (1) the five-year service quality improvement plan progress report and (2) the financial annual report, both of which were redacted in the ECFS submission. The request for confidential treatment of the five-year plan progress report is being made pursuant to Section 0.459 of the Commission's rules and Exemption 4 of the Freedom of Information Act (FOIA). The request for confidential treatment of the financial annual report is being made pursuant to the FCC's

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March 22, 2016 *Protective Order* in WC Docket Nos. 10-90 and 14-58. These attachments contain competitively sensitive data that Peoples Telephone Cooperative, Inc. maintains as confidential and does not normally make available to the public. Release of this information would have a substantial negative impact on the Cooperative.

Five-Year Service Quality Improvement Plan Progress Report

Pursuant to Section 0.459 of the Commission's rules and Exemption 4 of FOIA, Peoples Telephone Cooperative, Inc. requests that the text and data extracted from its five-year service quality improvement plan progress report be withheld from public inspection because it contains competitively sensitive commercial and financial information that the Cooperative maintains as confidential. Public availability of this information would have a substantial negative impact on the Cooperative.

In accordance with Section 0.459 of the Commission's rules, the following information is provided in support of this request:

(1) Identification of the specific information for which confidential treatment is sought:

Attachment to Line 112 of FCC Form 481 – Five-Year Service Quality Improvement Plan Progress Report. Specifically, confidential treatment is sought for all information in the five-year plan progress report related to the Cooperative's access line counts, existing broadband capabilities, and current and planned financial investments in its network that will improve service quality, service coverage, and/or service capacity for its customers.

(2) Identification of the Commission proceeding in which the information was submitted or a description of the circumstances giving rise to the submission:

The information was submitted in WC Docket No. 14-58 as an attachment to FCC Form 481- the Carrier Annual Reporting Data Collection Form. Section 100 of FCC Form 481 requires incumbent local exchange carriers receiving high cost support to attach a progress report on its five-year service quality improvement plan, pursuant to 47 C.F.R. §54.313(a)(1).

(3) Explanation of the degree to which the information is commercial or financial, or contains a trade secret or is privileged:

The five-year service quality improvement plan progress report contains granular information on the Cooperative's access line counts and/or existing broadband capabilities as well as recent and planned capital investments in its network to improve service quality, service coverage, and/or service capacity. It also contains a

map of the Cooperative's service area detailing progress toward meeting broadband deployment targets at the wire center level. This is closely guarded, privileged information that the Cooperative does not make publicly available.

- (4) Explanation of the degree to which the information concerns a service that is subject to competition:

Broadband is subject to increasing competition in the areas served by rural, rate-of-return incumbent local exchange carriers (RLECs). Virtually all RLECs face competition from one or more wireless Internet service providers. Most RLECs also face competition from at least one other wireline broadband provider, such as a larger cable company, who will typically seek to "cherry pick" the lower cost portions of the study area. In addition, all RLECs face competition throughout their territories from satellite broadband providers.

- (5) Explanation of how disclosure of the information could result in substantial competitive harm:

Disclosure of the information contained in the five-year plan progress report would provide competitors with detailed, granular information regarding the Cooperative's access line count, its existing broadband capabilities, and its recent and planned network investments that improve service quality, coverage, and/or capacity for subscribers. This would give competitors valuable confidential information with which to develop their own strategies for investing in the service area, thereby bringing substantial competitive harm to the Cooperative.

- (6) Identification of any measures taken by the submitting party to prevent unauthorized disclosure:

The Cooperative has continually treated the extracted information in its five-year plan progress report as confidential and carefully controls the information to protect it from competitors. Access to the information is limited to employees that require it and to non-employees with confidentiality obligations such as lenders, consultants, auditors, and attorneys. In addition, when such information is required to be submitted to a state regulatory authority it has been filed as confidential information, not available to the public.

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- (7) Identification of whether the information is available to the public and the extent of any previous disclosure of the information to third parties:

The redacted information in the five-year plan progress report is not available to the public, and third-party access is limited as described in (6) above.

- (8) Justification of the period during which the submitting party asserts that material should not be available for public disclosure:

The Cooperative requests that the extracted information be withheld from public inspection indefinitely. The information in the five-year plan progress report details the Cooperative's most recent network upgrades in relation to its previously submitted service quality improvement plan. It may also contain upcoming planned network improvements during the five-year period ending 2019. This information would provide a very useful baseline for competitors for several years beyond that period.

- (9) Any other information that the party seeking confidential information treatment believes may be useful in assessing whether its request for confidentiality should be granted:

Exemption 4 of FOIA shields from public disclosure commercial or financial information obtained from a person that is privileged or confidential. Based on the responses provided above, the information in question satisfies this test.

Financial Annual Report

Section 3005 of FCC Form 481 requires a privately-held rate-of-return carrier receiving high cost support to attach a full and complete annual report of the company's financial condition and operations pursuant to 47 C.F.R. §54.313(f)(2). Peoples Telephone Cooperative, Inc. seeks confidential treatment of its financial annual report pursuant to the March 22, 2016 *Protective Order* in WC Docket Nos. 10-90 and 14-58.¹ The *Protective Order* specifically covers information filed pursuant to 47 C.F.R. §54.313(f)(2).

Peoples Telephone Cooperative, Inc. is providing to the Office of the Secretary, under seal, this cover letter and the Form 481 filing which includes the confidential information that is being requested to be withheld from public inspection.

¹ *Connect America Fund, ETC Annual Reports and Certifications*, WC Docket Nos. 10-90 and 14-58, Protective Order, DA 16-296 (rel. Mar. 22, 2016).

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Each page of the five-year service quality improvement plan progress report confidential submission bears the legend, "CONFIDENTIAL – NOT FOR PUBLIC DISCLOSURE."

Each page of the financial annual report confidential submission bears the legend, "CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION."

The confidential information has also been submitted to the Universal Service Administrative Company through its E-File system as attachments to the FCC Form 481.

In the filing submitted via ECFS, all pages containing confidential information bear the legend "REDACTED – FOR PUBLIC INSPECTION."

This cover letter includes no confidential information and the text is the same in both the non-redacted and redacted versions except for the confidentiality markings.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Dorothy Young". The signature is fluid and cursive, with the first name "Dorothy" and last name "Young" clearly distinguishable.

Dorothy Young
Authorized Representative for
Peoples Telephone Cooperative, Inc.

DY/pjf

Enclosures

cc: Mr. Steven Steele, Peoples Telephone Cooperative, Inc.

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	442130
<015>	Study Area Name	PEOPLES TEL COOP -TX
<020>	Program Year	2017
<030>	Contact Name: Person USAC should contact with questions about this data	Gena von Reyn
<035>	Contact Telephone Number: Number of the person identified in data line <030>	9038783172 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	gena.vonreyn@gopeoples.net
Form Type		54.313 and 54.422

(100) Service Quality Improvement Reporting Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	442130
<015>	Study Area Name	PEOPLES TEL COOP -TX
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Gena von Reyn
<035>	Contact Telephone Number - Number of person identified in data line <030>	9038783172 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	gena.vonreyn@gopeoples.net

<110>	Has your company received its ETC certification from the FCC?	(yes / no) <input type="radio"/> <input checked="" type="radio"/>
<111>	If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC?	(yes / no) <input type="radio"/> <input type="radio"/>

If your answer to Line <111> is yes, please file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

- <112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

442130tx112.pdf

Name of Attached Document

Please select the appropriate responses below (Yes, No, Not Applicable) to confirm that the attached document(s), on line 112, contains a progress report on its five-year service quality improvement plan pursuant to §54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

<113>	Maps detailing progress towards meeting plan targets	Yes
<114>	Report how much universal service (USF) support was received	Yes
<115>	How much (USF) was used to improve service quality and how support was used to improve service quality	Yes
<116>	How much (USF) was used to improve service coverage and how support was used to improve service coverage	Yes
<117>	How much (USF) was used to improve service capacity and how support was used to improve service capacity	Yes
<118>	Provide an explanation of network improvement targets not met in the prior calendar year.	Not Applicable

(200) Service Outage Reporting (Voice) Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	442130
<015>	Study Area Name	PEOPLES TEL COOP -TX
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Gena von Reyn
<035>	Contact Telephone Number - Number of person identified in data line <030>	9038783172 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	gena.vonreyn@gopeoples.net

<210>	For the prior calendar year, were there any reportable voice service outages?											
	No											
<220>	<a>	<b1>	<b2>	<b3>	<b4>	<c1>	<c2>	<d>	<e>	<f>	<g>	<h>
	NORS Reference Number	Outage Start Date	Outage Start Time	Outage End Date	Outage End Time	Number of Customers Affected	Total Number of Customers	911 Facilities Affected (Yes / No)	Service Outage Description (Check all that apply)	Did This Outage Affect Multiple Study Areas (Yes / No)	Service Outage Resolution	Preventative Procedures

**(300) Unfulfilled Service Request
Data Collection Form**

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code	442130
<015> Study Area Name	PEOPLES TEL COOP -TX
<020> Program Year	2017
<030> Contact Name - Person USAC should contact regarding this data	Gena von Reyn
<035> Contact Telephone Number - Number of person identified in data line <030>	9038783172 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	gena.vonreyn@gopeoples.net
<300> Unfulfilled service request (voice)	0
<310> Detail on attempts (voice)	Name of Attached Document
<320> Unfulfilled service request (broadband)	29
	442130tx330.pdf
<330> Detail on attempts (broadband)	Name of Attached Document

(400) Number of Complaints per 1,000 customers Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	442130
<015>	Study Area Name	PEOPLES TEL COOP -TX
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Gena von Reyn
<035>	Contact Telephone Number - Number of person identified in data line <030>	9038783172 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	gena.vonreyn@gopeoples.net
<400>	Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	Offered both fixed and mobile voice
<410>	Complaints per 1000 customers for fixed voice	0 . 0
<420>	Complaints per 1000 customers for mobile voice	0 . 0
<430>	Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	Offered both fixed and mobile broadband
<440>	Complaints per 1000 customers for fixed broadband	0 . 0
<450>	Complaints per 1000 customers for mobile broadband	0 . 0

(500) Compliance With Service Quality Standards and Consumer Protection Rules
Data Collection Form

FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	442130
<015>	Study Area Name	PEOPLES TEL COOP -TX
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Gena von Reyn
<035>	Contact Telephone Number - Number of person identified in data line <030>	9038783172 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	gena.vonreyn@gopeoples.net
<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes
<510>	Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance	442130tx510.pdf

(600) Functionality in Emergency Situations
Data Collection Form

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	442130
<015>	Study Area Name	PEOPLES TEL COOP -TX
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Gena von Reyn
<035>	Contact Telephone Number - Number of person identified in data line <030>	9038783172 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	gena.vonreyn@gopeoples.net
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality in Emergency Situations	442130TX610.pdf

[illegible]

<010>	Study Area Code	442130
<015>	Study Area Name	PEOPLES TEL COOP -TX
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Gena von Reyn
<035>	Contact Telephone Number - Number of person identified in data line <030>	9038783172 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	gena.vonreyn@gcopeoples.net

[illegible]

[illegible]

**(900) Tribal Lands Reporting
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	442130
<015>	Study Area Name	PEOPLES TEL COOP -TX
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Gena von Reyn
<035>	Contact Telephone Number - Number of person identified in data line <030>	9038783172 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	gena.vonreyn@gopeoples.net

<900> Does the filing entity offer tribal land services? (Y/N)

No

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes,No, NA) for each these boxes to confirm the status described on the attached document(s), on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable

**(1000) Voice and Broadband Service Rate Comparability
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	442130
<015>	Study Area Name	PEOPLES TEL COOP -TX
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Gena von Reyn
<035>	Contact Telephone Number - Number of person identified in data line <030>	9038783172 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	gena.vonreyn@gopeoples.net

<1000>	Voice services rate comparability certification	Yes
<1010>	Attach detailed description for voice services rate comparability compliance	442130tx1010.pdf <hr/> Name of Attached Document
<1020>	Broadband comparability certification	Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau
<1030>	Attach detailed description for broadband comparability compliance	442130tx1030.pdf <hr/> Name of Attached Document

(1100) No Terrestrial Backhaul Reporting Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	442130
<015>	Study Area Name	PEOPLES TEL COOP -TX
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Gena von Reyn
<035>	Contact Telephone Number - Number of person identified in data line <030>	9038783172 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	gena.vonreyn@gopeoples.net

<1100> Certify whether terrestrial backhaul options exist (Y/N)

Yes

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

(1200) Terms and Condition for Lifeline Customers
Lifeline
Data Collection Form

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	442130
<015>	Study Area Name	PEOPLES TEL COOP -TX
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Gena von Reyn
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<039>	Contact Email Address - Email Address of person identified in data line <030>	gena.vonreyn@gopeoples.net

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

442130tx1210.pdf

Name of Attached Document

<1220> Link to Public Website

HTTP

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- <1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ☒
- <1222> Details on the number of minutes provided as part of the plan, ☒
- <1223> Additional charges for toll calls, and rates for each such plan. ☒

(2000) Price Cap Carrier Additional Documentation Data Collection Form <i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	442130
<015> Study Area Name	PEOPLES TEL COOP -TX
<020> Program Year	2017
<030> Contact Name - Person USAC should contact regarding this data	Gena von Reyn
<035> Contact Telephone Number - Number of person identified in data line <030>	9038783172 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	gena.vonreyn@gopeoples.net

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

<2010> 2nd Year Certification 47 CFR § 54.313(b)(1)(i) - Note that for the July 1 2016 certification, this applies to Round 2 recipients of Incremental Support	<input style="width: 100px; height: 20px;" type="text"/>	
<2011> 3rd Year Certification 47 CFR § 54.313(b)(1)(ii) - Note that for the July 1 2016 certification, this applies to Round 1 recipients of Incremental Support	<input style="width: 100px; height: 20px;" type="text"/>	
<2022> Recipient certifies, representing year two after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.	<input style="width: 100px; height: 20px;" type="text"/>	
<2023> The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year two - 54.313(b)(2)(ii). Round 2 recipients only.	<input style="width: 100px; height: 20px;" type="text"/>	
<2024A> Round 2 Recipient of Incremental Support?	<input style="width: 100px; height: 20px;" type="text"/>	
<2024B> Attach list of census blocks indicating where funding was spent in year two - 54.313(b)(2)(ii). Round 2 recipients only.	Name of Attached Document Listing Required Information	<input style="width: 100px; height: 20px;" type="text"/>
<2025A> Round 1 or Round 2 Recipient of Incremental Support?	Name of Attached Document Listing Required Information	<input style="width: 100px; height: 20px;" type="text"/>
<2025B> Attach geocoded Information for Phase I milestone reports (Round 1 for year three and Round 2 for year two) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-	Name of Attached Document Listing Required Information	<input style="width: 100px; height: 20px;" type="text"/>
<2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)		<input style="width: 100px; height: 20px;" type="text"/>

(2000) Price Cap Carrier Additional Documentation (Continued)

FCC Form 481

Data Collection Form

OMB Control No. 3060-0986/OMB Control No. 3060-0819

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

July 2013

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification support used to build broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017A> Connect America Fund Phase II recipient?

<2017B> Attach information for Phase II - 54.313(e)(1) - list of geocoded locations already meeting the 54.309 public interest obligations at the end of calendar year 2015 and total amount of Phase II support, if any, the price

Name of Attached Document Listing
Required Information

<2018> Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(2)(ii)

Name of Attached Document Listing
Required Information

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(2)(v)

<2020> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 40% of its supported locations in the state on December 31, 2017 - 54.313(e)(3)

<2021> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 60% of its supported locations in the state on December 31, 2018 - 54.313(e)(4)

<2026> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 80% of its supported locations in the state on December 31, 2019 - 54.313(e)(5)

<2027> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 100% of its supported locations in the state on December 31, 2020 - 54.313(e)(6)

<010>	Study Area Code	442130
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<039>	Contact Email Address - Email Address of person identified in data line <030>	gena.vonreyn@gopeoples.net

Complete the items below to note compliance with five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

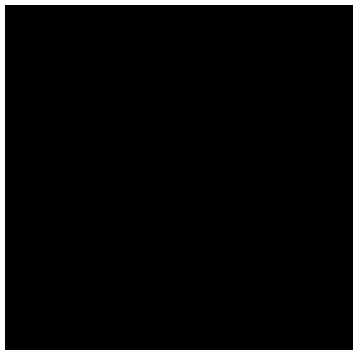
(3009)	Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(iii)	Yes - Attach Certification	
(3010A)	Milestone Certification (47 CFR § 54.313(f)(1)(i))	442130tx3010.pdf	
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3012A)	Community Anchor Institutions (47 CFR § 54.313(f)(1)(iii))	No - No New Community Anchors	
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3013)	Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3014)	If yes, does your company file the RUS annual report	(Yes/No)	<input type="radio"/> <input checked="" type="radio"/>
Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:			
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		<input type="checkbox"/>
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input checked="" type="checkbox"/>
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3021)	Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.		<input checked="" type="checkbox"/>
If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input type="checkbox"/>
(3023)	Underlying information subjected to a review by an independent certified public accountant		<input type="checkbox"/>
(3024)	Underlying information subjected to an officer certification.		<input type="checkbox"/>
(3025)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	442130tx3026.pdf

(3005) Rate Of Return Carrier Additional Documentation (Continued)		FCC Form 481
Data Collection Form		OMB Control No. 3060-0986/OMB Control No. 3060-0819
		July 2013

<010>	Study Area Code	442130
<015>	Study Area Name	PEOPLES TEL COOP -TX
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Gena von Reyn
<035>	Contact Telephone Number - Number of person identified in data line <030>	9038783172 ext .
<039>	Contact Email Address - Email Address of person identified in data line <030>	gena.vonreyn@gopeoples.net

Financial Data Summary

- (3027) Revenue
- (3028) Operating Expenses
- (3029) Net Income
- (3030) Telephone Plant In Service(TPIS)
- (3031) Total Assets
- (3032) Total Debt
- (3033) Total Equity
- (3034) Dividends



<010>	Study Area Code	442130
<015>	Study Area Name	PEOPLES TEL COOP -TX
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Gena von Reyn
<035>	Contact Telephone Number - Number of person identified in data line <030>	9038783172 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	gena.vonreyn@gopeoples.net

4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission's public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions – FCC 14-98 (paragraph 79)

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information

Broadband Deployment Locations – FCC 14-98 (paragraph 80)

4004a. Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.

Name of Attached Document Listing Required Information

4004b. Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.

Name of Attached Document Listing Required Information

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
---	--

<010>	Study Area Code	442130
<015>	Study Area Name	PEOPLES TEL COOP -TX
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Gena von Reyn
<035>	Contact Telephone Number - Number of person identified in data line <030>	9038783172 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	gena.vonreyn@gopeoples.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
---	--

<010> Study Area Code	442130
<015> Study Area Name	PEOPLES TEL COOP -TX
<020> Program Year	2017
<030> Contact Name - Person USAC should contact regarding this data	Gena von Reyn
<035> Contact Telephone Number - Number of person identified in data line <030>	9038783172 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	gena.vonreyn@gopeoples.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>Moss Adams, LLP</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	<u>Moss Adams, LLP</u>
Name of Reporting Carrier:	<u>PEOPLES TEL COOP -TX</u>
Signature of Authorized Officer:	<u>CERTIFIED ONLINE</u> Date: <u>06/22/2016</u>
Printed name of Authorized Officer:	<u>Gena von Reyn</u>
Title or position of Authorized Officer:	<u>Regulatory Affairs Manager</u>
Telephone number of Authorized Officer:	<u>9038783172 ext.</u>
Study Area Code of Reporting Carrier:	<u>442130</u> Filing Due Date for this form: <u>07/01/2016</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	<u>PEOPLES TEL COOP -TX</u>
Name of Authorized Agent Firm:	<u>Moss Adams, LLP</u>
Signature of Authorized Agent or Employee of Agent:	<u>CERTIFIED ONLINE</u> Date: <u>06/22/2016</u>
Name of Authorized Agent Employee:	<u>Dorothy Young</u>
Title or position of Authorized Agent or Employee of Agent	<u>Telecommunications Consulting Manager</u>
Telephone number of Authorized Agent or Employee of Agent:	<u>5126527726 ext.</u>
Study Area Code of Reporting Carrier:	<u>442130</u> Filing Due Date for this form: <u>07/01/2016</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	442130
<015>	Study Area Name	PEOPLES TEL COOP -TX
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Gena von Reyn
<035>	Contact Telephone Number - Number of person identified in data line <030>	9038783172 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	gena_vonreyn@gopeoples.net

<701>	Residential Local Service Charge Effective Date	1/1/2016
<702>	Single State-wide Residential Local Service Charge	

<703>

[illegible]

(710) Broadband Price Offerings Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	442130
<015>	Study Area Name	PEOPLES TEL COOP -TX
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	Gena von Reyn
<035>	Contact Telephone Number - Number of person identified in data line <030>	9038783172 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	gena.vonreyn@gopeoples.net

[illegible]

**LINE 112 -- FIVE-YEAR SERVICE QUALITY IMPROVEMENT PLAN
PROGRESS REPORT**

[REDACTED]

The Cooperative received \$ 4,650,792 in Universal Service Fund (“USF”) support in 2015. [REDACTED]

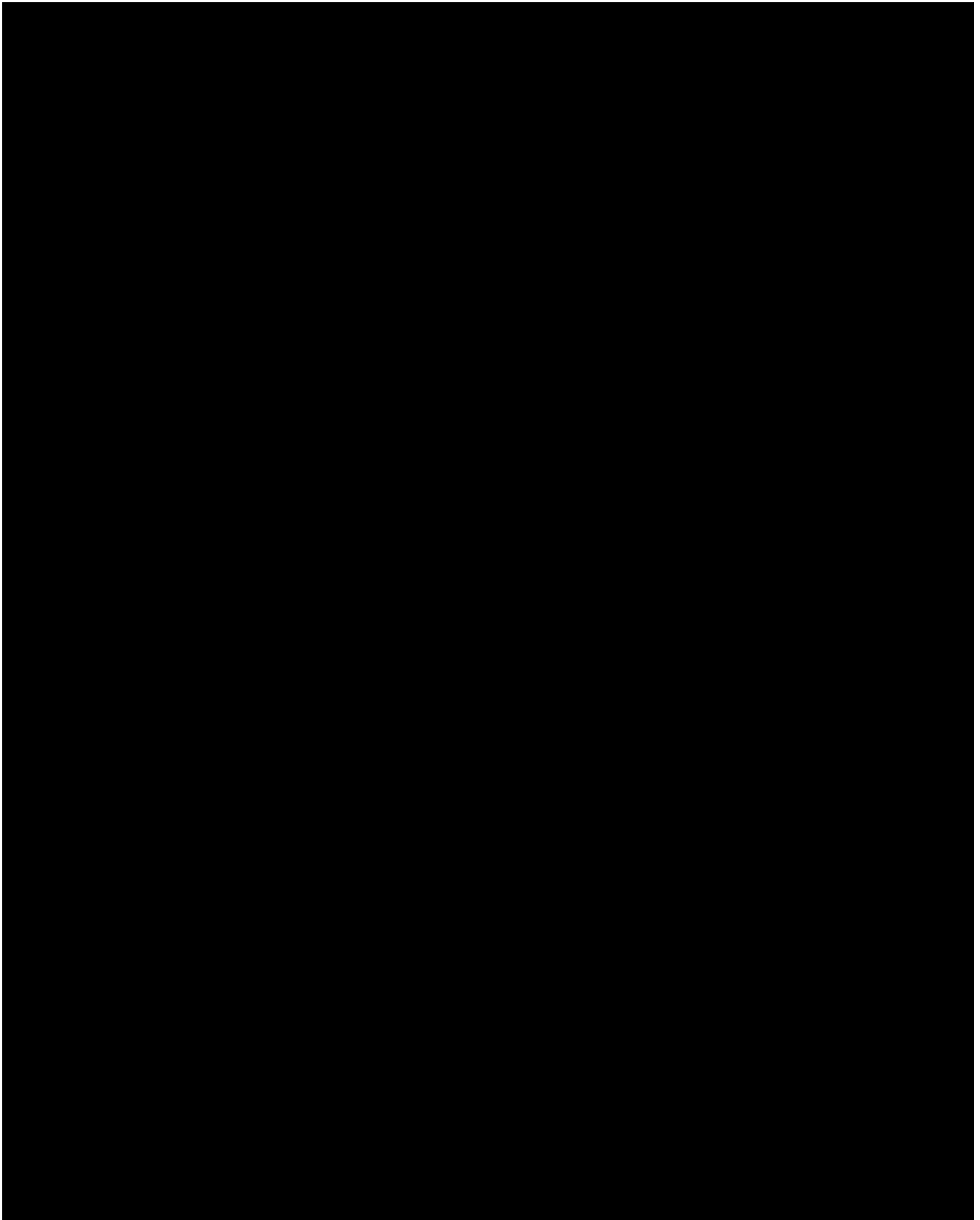
[REDACTED]

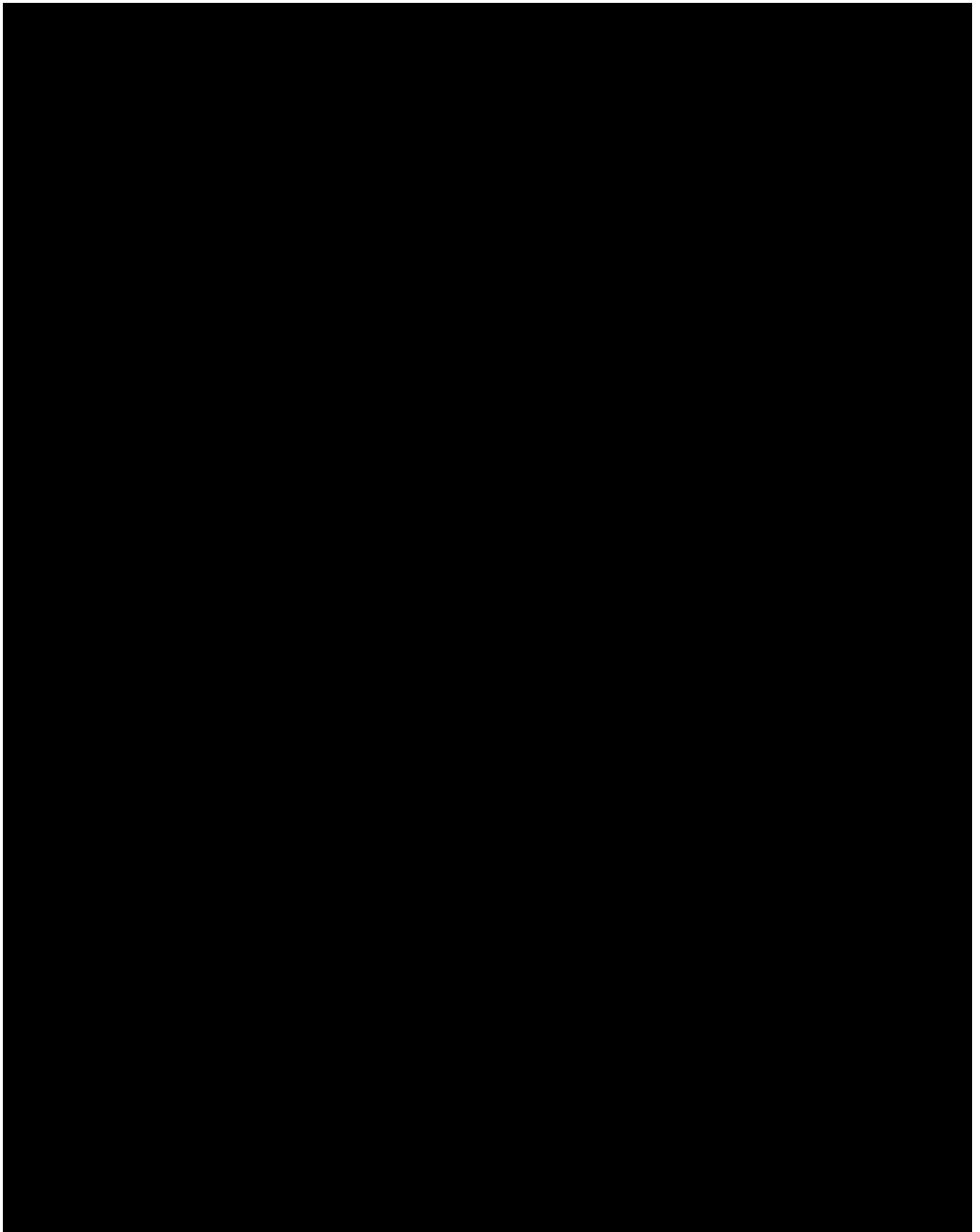
[REDACTED]

Exchange	Description of Improvement	5 Year Plan 2015 Forecast	2015 Actual
----------	----------------------------	---------------------------------	-------------

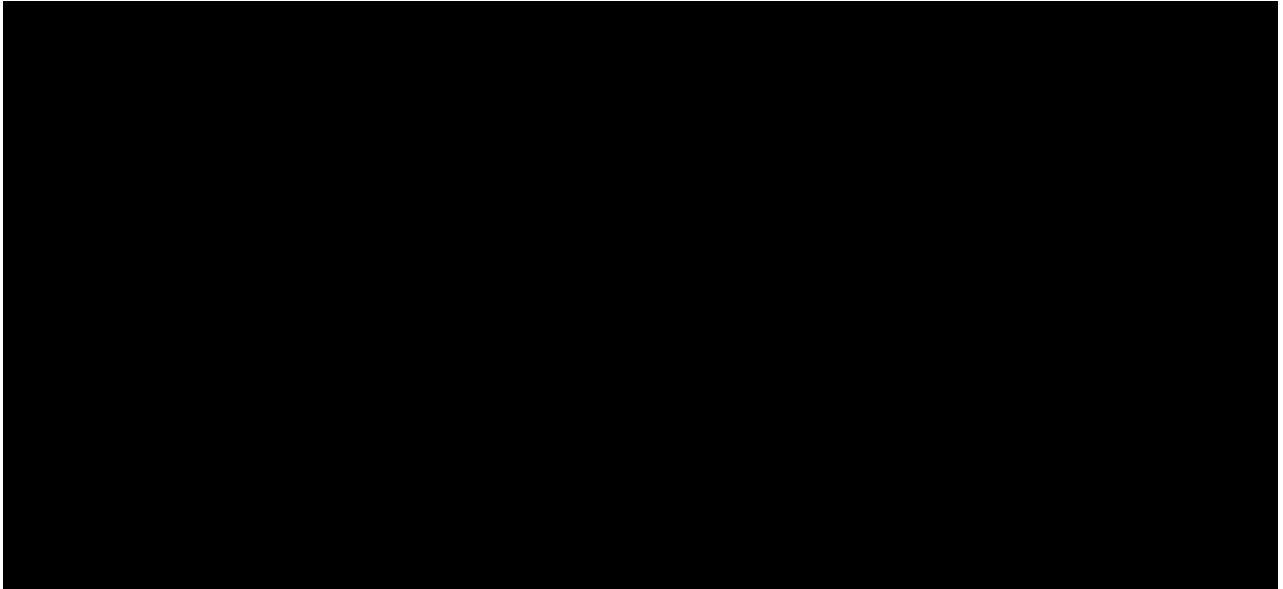
[REDACTED]			
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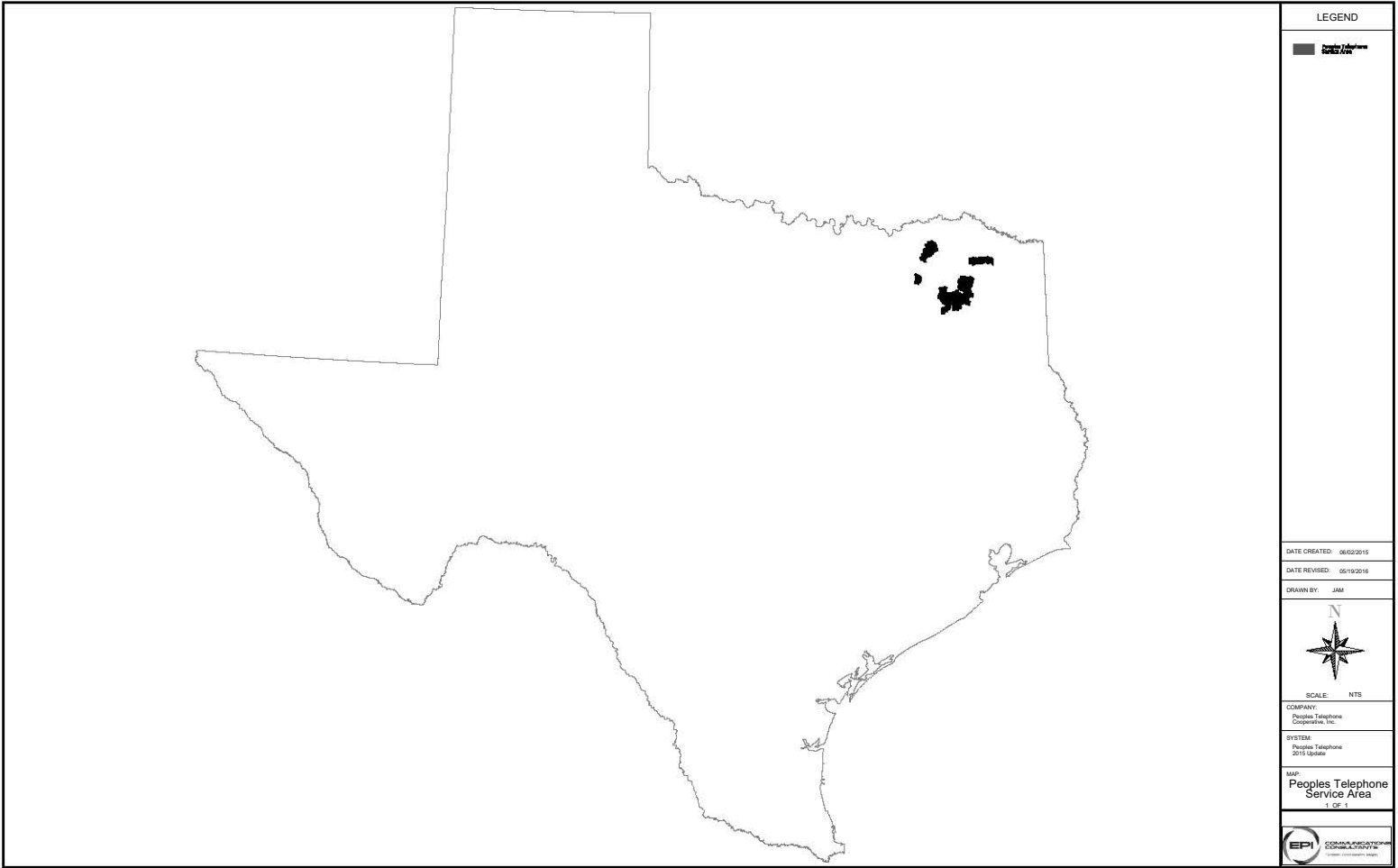
Year End 2015 Progress Report Description by Exchange





Network Improvement Targets Not Achieved in 2015





LEGEND



DATE CREATED: 06/02/2015

DATE REVISED: 05/19/2016

DRAWN BY: JAM



SCALE: NTS

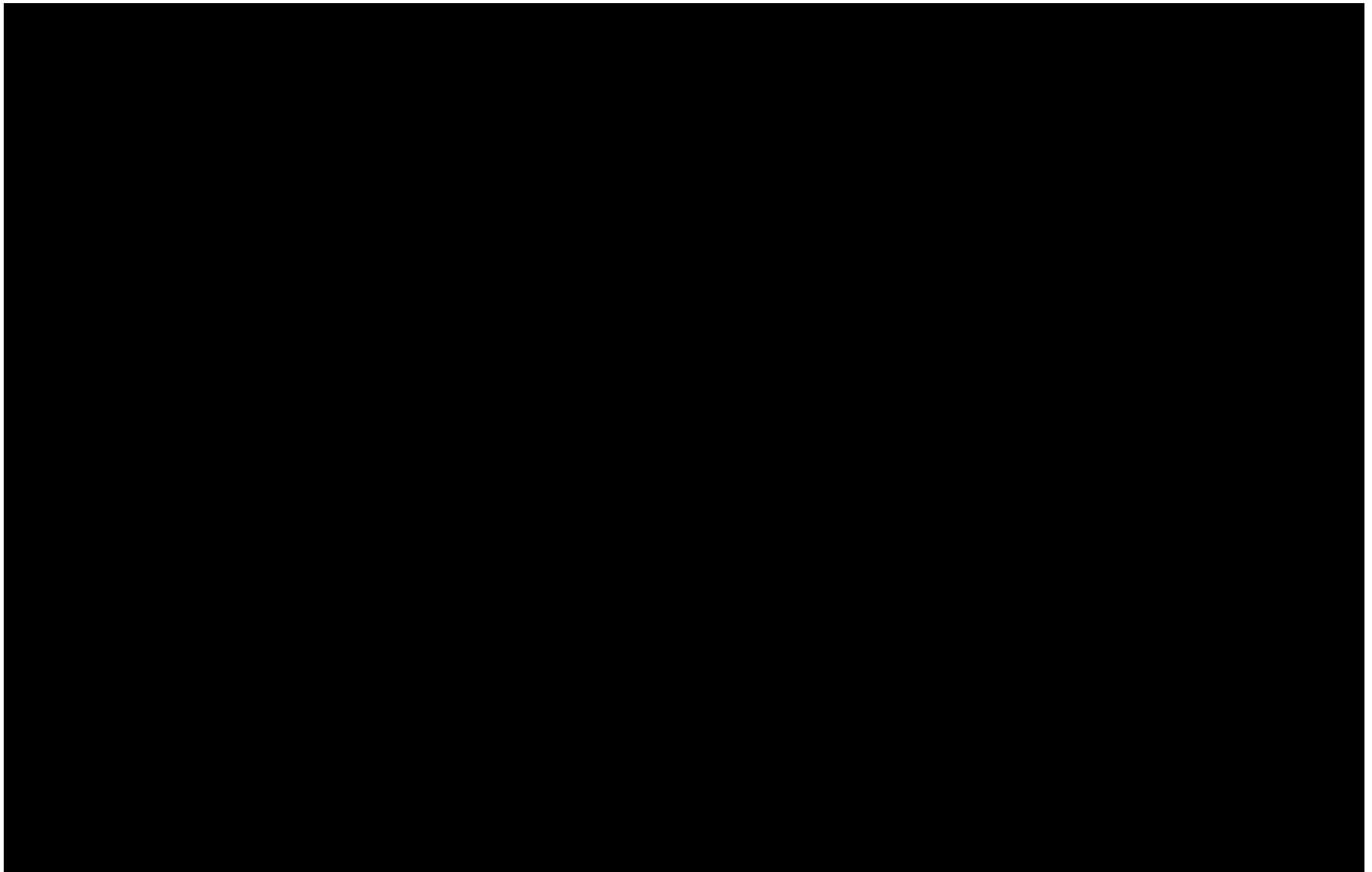
COMPANY:
Peoples Telephone
Cooperative, Inc.

SYSTEM:
Peoples Telephone
2015 Update

MAP:
Peoples Telephone
Service Area

1 OF 1





LINE 330 – EXPLANATION OF UNFULFILLED BROADBAND REQUESTS

Peoples Telephone Cooperative, Inc. (“the Cooperative”) had a total of 29 unfulfilled requests for broadband service at the end of 2015.

These broadband requests were not reasonable due to the excessive distance from the Cooperative’s central office. The Cooperative tried boosters and bonding, and in most cases, the customer could get more speed, but could not attain 10/1Mb. After careful evaluation, the Cooperative determined that, due to the geographic characteristics of the area and the lack of potential subscribers, the incremental cost of undertaking the necessary upgrades to these locations would considerably exceed the revenues that could be expected from upgrading the lines. Thus, the requests to provide broadband to these locations were determined to not be reasonable.

LINE 510 - SERVICE QUALITY STANDARDS AND CONSUMER PROTECTION RULES COMPLIANCE

Peoples Telephone Cooperative, Inc. (“the Cooperative”) complies with applicable service quality standards and consumer protection rules for its voice and broadband services.

The rates, terms, and conditions under which the Cooperative operates are outlined in its local exchange tariff, which is approved by the Public Utility Commission of Texas (“Texas PUC”). The tariff contains provisions regarding the Cooperative’s customer service and protection practices.

Service quality standards for voice service are established by the Texas PUC. The Cooperative consistently meets or exceeds those standards and provides reports to the Texas PUC, in accordance with the Texas PUC’s rules.

With regard to broadband service, the Cooperative provisions its network and equipment to ensure that its customers can enjoy the speeds to which they subscribe. However, Internet speeds generally result from a “best effort” service and are dependent upon a number of variables, many of which are outside the control of the Cooperative. The Cooperative also complies with the FCC’s Open Internet rules, 47 C.F.R. §§8.3-8.11. These rules prohibit blocking, throttling, and paid prioritization, and also require transparency of network management practices, performance, and the commercial terms of broadband services.

The Cooperative complies with any and all consumer protection obligations under state law.

The Cooperative also complies with the following consumer best practices: (1) the Cooperative discloses its rates and terms of service to customers; (2) the Cooperative provides specific disclosures in its advertising; (3) the Cooperative separately identifies carrier charges from taxes on its billing statements; (4) the Cooperative provides ready access to customer service; (5) the Cooperative promptly responds to consumer inquiries and complaints received from government agencies; and (6) the Cooperative abides by policies for protection of consumer privacy.

Finally, the Cooperative has a policy and established operating procedures that comply with the FCC’s Customer Proprietary Network Information (CPNI) rules (47 C.F.R. §§64.2001-64.2011). Certification of the Cooperative’s compliance with CPNI rules and a description of the Cooperative’s operating procedures that ensure compliance are filed annually with the FCC.

LINE 610 – ABILITY TO FUNCTION IN EMERGENCY SITUATIONS

Peoples Telephone Cooperative, Inc. (the Cooperative) is able to function in emergency situations. The Cooperative has a reasonable amount of back-up power to ensure functionality without an external power source. The Cooperative's system is reinforced by battery back-ups installed at its headquarters office and generators at its central offices. The Cooperative also has numerous portable generators that are available to be moved to any of the remote office sites. In addition, the central & remote office sites are constantly monitored by the switch which alerts the answering service dispatch in the event trouble is detected. The network is capable of managing traffic spikes resulting from emergency situations.

The Cooperative is able to reroute traffic around damaged facilities. Although the Cooperative's ability to reroute traffic around damaged facilities is not absolute and may be limited in certain circumstances, there is a restoration plan in place for expeditious recovery of service, including splicing of damaged facilities when warranted.

LINE 1010 – VOICE SERVICES RATE COMPARABILITY

The Wireline Competition Bureau's 2015 reasonable comparability benchmark for voice services was \$47.48, which includes the federal subscriber line charge ("SLC").¹

In 2015, in the exchanges served by Peoples Telephone Cooperative, Inc. ("the Cooperative"), the highest single-line residential local rate was \$17.00. When the federal SLC (\$6.50) is included, the rate was \$23.50. Therefore, the Cooperative's pricing of fixed voice services in 2015 was less than the reasonable comparability benchmark of \$47.48.

¹ *Wireline Competition Bureau Announces Results of 2015 Urban Rate Survey for Fixed Voice and Broadband Services and Posting of Survey Data and Explanatory Notes*, Public Notice, WC Docket No. 10-90, DA 15-470 (rel. April 16, 2015).

LINE 1030 – BROADBAND SERVICES RATE COMPARABILITY

In 2015, Peoples Telephone Cooperative, Inc. (“the Cooperative”) charged a residential rate of \$69.95 for broadband providing 10 Mbps download, 1 Mbps upload, and an unlimited usage allowance. This rate is lower than \$77.80, which is the 2015 reasonable comparability benchmark established by the Wireline Competition Bureau for 10 Mbps download, 1 Mbps upload, and an unlimited usage allowance¹.

¹ *Wireline Competition Bureau Announces Results of 2015 Urban Rate Survey for Fixed Voice and Broadband Services and Posting of Survey Data and Explanatory Notes*, Public Notice, WC Docket No. 10-90, DA 15-470 (rel. April 16, 2015).

LINE 1210 – TERMS & CONDITIONS OF VOICE TELEPHONY LIFELINE PLANS

Peoples Telephone Cooperative, Inc. (the Cooperative) offers qualified Lifeline subscribers a discount of \$13.13 to the stand-alone residential local exchange service line rate. Except for one exchange, the Lifeline rate for single-line residential voice service, including any mandatory extended area service charge and the federal subscriber line charge, is \$8.87 (\$22.00 less the \$13.13 discount).

In the exchange of Glade Branch, the Lifeline rate for single-line residential voice service, including any mandatory extended area service charge and the federal subscriber line charge, is \$10.37 (\$23.50 less the \$13.13 discount).

Qualified Lifeline customers may also subscribe to our Basic Choice, Select Choice, Select Choice Plus, Premium Choice, and Premium Plus Choice bundle packages for Residential customers with the same reductions applied against that portion of the package rate that is for basic network service (one line only). These plans include a long distance calling plan, internet and broadband services as well as a choice of optional services.

The local exchange access line rate includes an unlimited amount of local calling minutes. Additional charges for toll calls associated with the stand-alone residential access line are billed at the rates of the long distance carrier chosen by the subscriber. Customers may elect to subscribe to toll blocking at no charge.

Lifeline Program reductions do not apply to additional services such as information-related services and custom calling features. Lifeline customers may subscribe to these services, where available, at the same rates offered to other customers.

See attached pages from the Cooperative's Local Exchange Tariff, including pages describing the terms and conditions of Lifeline service.

MEMBER SERVICES TARIFF

LOCAL EXCHANGE SERVICE

V. LIFELINE PROGRAM

The Lifeline Program is a retail local service offering designed to make telephone service available at reduced rates to qualifying low-income customers.

A. General

1. A qualifying low-income customer subscribing to the Lifeline Program shall receive federal and state reductions to their monthly tariffed residential local exchange access line rate. When a Lifeline customer subscribes to a package of services, those same reductions will apply to that portion of the package rate that is for basic network service. In a two-line package, only one line will receive the Lifeline reductions.

2. Nothing in this section shall prohibit a customer who is otherwise eligible for the Lifeline Program from obtaining and using telecommunications equipment and services designed to aid such customer in utilizing qualifying telecommunications services.

3. Lifeline Program reductions do not apply to surcharges, taxes, long distance service, 976 and other information related telecommunications services, and optional services such as custom calling features. Customers may obtain these services, where available, at their discretion.

4. The Lifeline Program rate reductions do not apply to service connection charges.

5. The Cooperative may not disconnect the service of a Lifeline Program customer for the non-payment of toll charges. However, the Cooperative reserves the right to implement toll blocking, at no charge, if the customer incurs a significant balance of unpaid toll bills. The Cooperative will inform the customer, by direct mail, of this change to their service due to the customer's non-payment of toll charges. Upon the customer's payment of all outstanding toll charges, the Cooperative shall remove mandatory toll blocking at no charge.

6. Upon subscribing to the Lifeline Program, a customer will be offered a subscription, at no charge, to toll blocking service (in exchanges where technically available) which denies the customer access to the long distance telecommunications network; however, the customer is under no obligation to accept the subscription to toll blocking upon initial subscription to the Lifeline Program.

MEMBER SERVICES TARIFF
LOCAL EXCHANGE SERVICE

V. LIFELINE PROGRAM (Continued)

A. General (Continued)

8. The Lifeline Program rate reductions will not be available on a retroactive basis unless approved by the Public Utility Commission of Texas or the Low-Income Discount Administrator (LIDA).

B. Designated Lifeline Program Services

The Cooperative shall offer voice telephony services that provide the he following functionalities as designated, Lifeline Program services:

1. Voice grade access to the public switched network or its functional equivalent
2. Minutes of use for local service provided at no additional charge to the customer
3. Access to emergency services
4. Toll blocking service

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MEMBER SERVICES TARIFF
LOCAL EXCHANGE SERVICE

V. LIFELINE PROGRAM (Continued)

C. Eligibility Requirement

1. Qualifying Low-income (Eligible) Customer Criteria

An eligible customer shall be defined as an individual whose annual household income is at or below 150% of the federal poverty guidelines or in whose household resides a person who receives or has a child who receives benefits from at least one of the following programs:

- a. Medicaid
- b. Food Stamps (Supplemental Nutrition Assistance Program)
- c. Supplemental Security Income (SSI)
- d. Federal Public Housing Assistance (FPHA)
- e. Low-Income Heat and Energy Assistance Program (LIHEAP)
- f. Health benefits coverage under the state Children's Health Insurance Program (CHIP)
- g. National School Lunch Program's Free Lunch Program
- h. Temporary Assistance for Needy Families

The Lifeline Program rate reductions will be provided to each eligible customer. The Low-Income Discount Administrator (LIDA) will provide a list of eligible customers to the Cooperative each month.

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MEMBER SERVICES TARIFF

LOCAL EXCHANGE SERVICE

V. LIFELINE PROGRAM (Continued)

C. Eligibility Requirement (Continued)

2. Obligations of the Customer

a. Customers whose annual household income is at or below 150% of the federal poverty guidelines or who participate in FPHA or LIHEAP programs may self-enroll for Lifeline Program benefits by completing an application form and returning it to LIDA. LIDA will send a blank application upon customer request. LIDA can be reached at 1-866-4LITEUP. Current customers receiving benefits under Medicaid, Food Stamps, SSI or CHIP will be subject to the Lifeline Program automatic enrollment procedures as provided by the LIDA unless they provide a written request to the LIDA to be excluded from the Lifeline Program.

b. A customer who is eligible for the Lifeline Program but does not have telephone service at the time the LIDA provides its eligibility list to the Cooperative, shall be responsible for initiating a request for the Lifeline Program from the Cooperative.

3. Obligations of the Cooperative

a. LIDA will provide a list of eligible customers to the Cooperative on a monthly basis. Upon receipt of the list, the Cooperative shall begin reduced billing for those customers within 30 days.

4. Discontinuance of Service

a. Discontinuance of Lifeline Discounts for customers automatically enrolled. The eligibility period for automatically enrolled customers is the length of their enrollment in Texas Health and Human Services Commission (THHSC) benefits plus a period of 60 days for renewal. Automatically enrolled customers will have an opportunity to renew their THHSC benefits or self enroll with LIDA upon the expiration of their automatic enrollment.

b. Discontinuance of Lifeline Discounts for customers who have self-enrolled: Individuals not receiving benefits through THHSC programs, but who have met Lifeline income qualifications, are eligible to receive the Lifeline Discount for seven months, which includes a period of 60 days during which the customer may renew their eligibility with LIDA for an additional seven months.

MEMBER SERVICES TARIFF

LOCAL EXCHANGE SERVICE

V. LIFELINE PROGRAM (Continued)

D. Deposit and Credit Requirements (Continued)

1. The Cooperative shall be prohibited from charging a service deposit in order to initiate the Lifeline Program if the eligible customer voluntarily elects to receive toll blocking.
2. The Cooperative may charge a service deposit if the eligible customer denies subscription to toll blocking upon subscribing to the Lifeline Program.
3. In instances where the Cooperative may require a service deposit, the same credit verification procedures and deposit regulations used for all applicants who apply for service with the Cooperative are also applicable to eligible customers for the Lifeline Program.

E. Service Connection Charges

1. Service connection charges do not apply to eligible customers with existing, qualifying service converting to the Lifeline Program.
2. Service connection charges do apply when:
 - a. Existing eligible customers request additional non-qualifying services at the time Lifeline Program reduced billing is initiated.
 - b. New customers (those without existing local exchange access service) eligible for the Lifeline Program establish service.
 - c. Customers make subsequent moves or changes after the initial connection to the Lifeline Program.

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MEMBER SERVICES TARIFF
LOCAL EXCHANGE SERVICE

V. LIFELINE PROGRAM (Continued)

F. Lifeline Program Rate Reduction

1. Implementation

The Cooperative shall provide reduced billing to all Lifeline Program eligible customers within its service area in accordance with the Commission’s Substantive Rules.

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In instances where a customer inquires about participation in the Lifeline Program, the Cooperative shall provide contact information for LIDA.

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MEMBER SERVICES TARIFF

LOCAL EXCHANGE SERVICE

V. LIFELINE PROGRAM (Continued)

F. Lifeline Program Rate Reduction (Continued)

2. Amounts

The Cooperative shall apply Lifeline Program rate reductions, per eligible customer, as described below. The combined discounts shall not result in a rate of less than zero charged for the customer's basic local service.

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N

	<u>Monthly Rate Reduction</u>
a. Federal Reduction applied to Federal Subscriber Line Charge and Residential Local Exchange Access Line Charge	47.C.F.R Section 54.403
b. Maximum State Reduction to Residential Local Exchange Access Line Rate	\$3.50
c. Area Discount – composed of up to 25% of any residential basic network service rate increase amount consistent with P.U.C. SUBST. R. 26.404 and the Small and Rural Incumbent Local Exchange Company Universal Service Plan (SRILEC USP)	\$0.38

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MEMBER SERVICES TARIFF

LOCAL EXCHANGE SERVICE

II. LOCAL EXCHANGE SERVICE RATES

A. Monthly Local Exchange Access Service Rates

Exchange (NPA-NXX)/ EAS Exchange(s):	Bus. Acc. Line	Res. Acc. Line	Bus. Key Trk (4)	Bus. Key Trk (5)	
Ben Franklin (903-325) (4) Honey Grove Pecan Gap Roxton	\$19.60	\$12.00	\$25.45	----	I
Campbell (903-862) (5) Greenville	\$19.60	\$12.00	\$19.60	\$26.20	I
Cypress Springs (903-860) (5) Glade Branch Mt. Vernon Winnsboro Wynne	\$19.60	\$15.50	\$19.60	\$26.20	I
Dry Creek (903-850/903-878) (1)(5) Golden Jim Hogg Quitman Wynne (2) (3)	\$19.60	\$12.00	\$19.60	\$26.20	I
Glade Branch (903-588) (5) Cypress Springs Mt. Vernon	\$19.60	\$12.00	\$19.60	\$26.20	I

(1) Some numbers in the 903-850 code are assigned to Peoples Cellular.

(2) NPA/NXX 903-878 is excluded from EAS between the Dry Creek and Wynne Exchanges.

(3) EAS calling between the Wynne Exchange and Dry Creek Exchange only includes NPA/NXX 903-850.

(4) Key Trunk Service rates for the Ben Franklin Exchange.

(5) Key Trunk Service rates for the Campbell, Cypress Springs, Dry Creek and Glade Branch Exchanges.

MEMBER SERVICES TARIFF

LOCAL EXCHANGE SERVICE

II. LOCAL EXCHANGE SERVICE RATES

A. Monthly Local Exchange Access Service Rates (Continued)

Exchange (NPA-NXX)/ EAS Exchange(s):	Bus. Acc. Line	Res. Acc. Line	Bus. Key Trk (1)	Bus. Key Trk (2)	
Golden (903-768) (2) Dry Creek Mineola	\$19.60	\$12.00	\$19.60	\$26.20	I
Jim Hogg (903-67) (2) Dry Creek Quitman	\$19.60	\$12.00	\$19.60	\$26.20	I
Pecan Gap (903-359) (1) Ben Franklin Roxton	\$19.60	\$12.00	\$25.45	-----	I
Roxton (903-346) (1) Ben Franklin Pecan Gap	\$19.60	\$12.00	\$25.45	-----	I
Sandy Creek (903-629) (2) Winnsboro Wynne	\$19.60	\$12.00	\$19.60	\$26.20	I

(1) Key Trunk Service rates for the Pecan Gap and Roxton Exchanges.

(2) Key Trunk Service rates for the Golden, Jim Hogg, and Sandy Creek Exchanges.

MEMBER SERVICES TARIFF

LOCAL EXCHANGE SERVICE

II. LOCAL EXCHANGE SERVICE RATES

A. Monthly Local Exchange Access Service Rates (Continued)

Exchange (NPA-NXX)/ EAS Exchange(s):	Bus. Acc. Line	Res. Acc. Line	Bus. Key Trk (2)	Bus. Key Trk (3)	
Talco (903-379) (2)	\$19.60	\$12.00	\$25.45	----	I
Wynne (903-365) (1) (3) Cypress Springs Dry Creek Sandy Creek Winnsboro	\$19.60	\$12.00	\$19.60	\$26.20	I
Yantis (903-383) (3)	\$19.60	\$12.00	\$19.60	\$26.20	I

(1) EAS calling between the Wynne Exchange and Dry Creek Exchange only includes NPA/NXX 903-850.

(2) Key Trunk Service rates for the Talco Exchange.

(3) Key Trunk Service rates for the Wynne and Yantis Exchanges.

MEMBER SERVICES TARIFF

II. LOCAL EXCHANGE SERVICES RATES (Continued)

B. Residential Packages

	<u>Monthly Rate (1)</u>
1. Two-Lines with Internet, Advanced Features, and Nationwide Toll Calling	\$79.99
- 2 Local Residential Access Lines with Tone Dialing on both lines	
- Expanded Local Calling Service and	
- Toll-Free One-Way Local Calling Scope (6)	
- Optional Services - Any or all of the following services (2)	
Call Forwarding	
Call Forwarding-Busy	
Call Forwarding-No Answer	
Call Waiting w/ Cancel Call Waiting	
Speed Calling	
Three Way Calling	
Call Block	
Anonymous Call Block	
Calling Name and Number Delivery	
- Nationwide Toll Calling (3)	
- DSL NSPEED 256 with unlimited access to the Internet (4)(5)	

- (1) Rates do not include applicable state and federal taxes and surcharges or the End User Common Line Charge, as approved in the Cooperative's Interstate Access Service Tariff, National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5.
- (2) Customers can choose a total of nine optional services for both lines. For example, five optional services on the first line and four optional services on the second line.
- (3) Toll Calling is provided by Peoples Communications, Inc. Certain restrictions apply.
- (4) DSL/Internet Service is provided by Peoples Communications, Inc. Customers can upgrade DSL NSPEED 256 to a higher speed for an additional monthly fee.
- (5) Package prices do not include installation and equipment charges for DSL. Equipment is free with a one-year term contract for DSL service. Early termination fee is \$250. If a customer cancels package subscription but continues DSL service, early termination fee does not apply.
- (6) Effective June 1, 2013, the non-optional Toll-Free One-Way Local Calling Scope is included as part of this package to subscribers. The description of the local calling scope and applicable exchanges are listed in this Section on Page 11.

MEMBER SERVICES TARIFF

II. LOCAL EXCHANGE SERVICES RATES (Continued)

B. Residential Packages (Continued)

	<u>Monthly Rate (1)</u>
2. Two-Lines with Advanced Features and Nationwide Toll Calling	\$59.99
- 2 Residential Access Lines with Tone Dialing on both lines	
- Expanded Local Calling Service and	
- Toll-Free One-Way Local Calling Scope (5)	
- Optional Services - Any or all of the following services (2)	
Call Forwarding	
Call Forwarding-Busy	
Call Forwarding-No Answer	
Call Waiting w/ Cancel Call Waiting	
Speed Calling	
Three Way Calling	
Call Block	
Anonymous Call Block	
Calling Name and Number Delivery	
- Nationwide Toll Calling (3)	
- <i>OPTIONAL: Add Dial-Up Internet access for \$11.95 per month (4)</i>	

- (1) Rates do not include applicable state and federal taxes and surcharges or the End User Common Line Charge, as approved in the Cooperative's Interstate Access Service Tariff, National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5.
- (2) Customers can choose a total of nine optional services for both lines. For example, five optional services on the first line and four optional services on the second line.
- (3) Toll Calling is provided by Peoples Communications, Inc. Certain restrictions apply.
- (4) Dial-Up Internet Access is provided by Peoples Communications, Inc. Certain restrictions apply.
- (5) Effective June 1, 2013, the non-optional Toll-Free One-Way Local Calling Scope is included as part of this package to subscribers. The description of the local calling scope and applicable exchanges are listed in this Section on Page 11.

MEMBER SERVICES TARIFF

II. LOCAL EXCHANGE SERVICES RATES (Continued)

B. Residential Packages (Continued)

**Monthly
Rate (1)**

3. Peoples Choice Premium

\$139.99

- **Two Local Residential Access Lines with Tone Dialing**
- **Expanded Local Calling Service and**
- **Toll-Free One-Way Local Calling Scope (7)**
- **Optional Services** – Choice of up to nine (9) of the following services: (2)
 - Call Forwarding
 - Call Forwarding-Busy
 - Call Forwarding-No Answer
 - Call Waiting w/ Cancel Call Waiting
 - Speed Calling
 - Three Way Calling
 - Call Block
 - Anonymous Call Block
 - Caller ID – Calling Name and Number Delivery
 - Voicemail (6)
- **Unlimited Nationwide Toll Calling (3)**
- **DSL NSPEED 2MB with unlimited access to the Internet (4)(5)**

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- (1) Rates do not include applicable state and federal taxes and surcharges or the End User Common Line Charge, as approved in the Cooperative's Interstate Access Service Tariff, National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5.
- (2) Customers that sign up for Peoples packages will receive a total of nine optional services that can be placed on either line.
- (3) Toll Calling is provided by Peoples Communication, Inc. Certain restrictions may apply.
- (4) DSL/Internet Service is provided by Peoples Communication, Inc.
- (5) Package prices do not include installation and equipment charges for DSL. Equipment is free with a one-year term contract for DSL service. Early termination fee is \$250. If a customer cancels package subscription but continues DSL service, early termination fee does not apply.
- (6) Voicemail is a non-regulated service and is included in the package rate.
- (7) Effective June 1, 2013, the non-optional Toll-Free One-Way Local Calling Scope is included as part of this package to subscribers. The description of the local calling scope and applicable exchanges are listed in this Section on Page 11.

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MEMBER SERVICES TARIFF

MEMBER SERVICES TARIFF

II. LOCAL EXCHANGE SERVICES RATES (Continued)

B. Residential Packages (Continued)

**Monthly
Rate (1)**

4. Peoples Choice Select Plus

\$99.99

- **Two Local Residential Access Lines with Tone Dialing**
- **Expanded Local Calling Service and**
- **Toll-Free One-Way Local Calling Scope (7)**
- **Optional Services** – Choice of up to nine (9) of the following services: (2)
 - Call Forwarding
 - Call Forwarding-Busy
 - Call Forwarding-No Answer
 - Call Waiting w/ Cancel Call Waiting
 - Speed Calling
 - Three Way Calling
 - Call Block
 - Anonymous Call Block
 - Caller ID – Calling Name and Number Delivery
 - Voicemail (6)
- **Unlimited Nationwide Toll Calling (3)**
- **DSL NSPEED 1MB with unlimited access to the Internet (4) (5)**

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- (1) Rates do not include applicable state and federal taxes and surcharges or the End User Common Line Charge, as approved in the Cooperative's Interstate Access Service Tariff, National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5.
- (2) Customers that sign up for Peoples packages will receive a total of nine optional services that can be placed on either line.
- (3) Toll Calling is provided by Peoples Communication, Inc. Certain restrictions may apply.
- (4) DSL/Internet Service is provided by Peoples Communication, Inc. Customers can upgrade DSL NSPEED up to 2MB for an additional monthly fee.
- (5) Package prices do not include installation and equipment charges for DSL. Equipment is free with a one-year term contract for DSL service. Early termination fee is \$250. If a customer cancels package subscription but continues DSL service, early termination fee does not apply.
- (6) Voicemail is a non-regulated service and is included in the package rate.
- (7) Effective June 1, 2013, the non-optional Toll-Free One-Way Local Calling Scope is included as part of this package to subscribers. The description of the local calling scope and applicable exchanges are listed in this Section on Page 11.

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MEMBER SERVICES TARIFF

MEMBER SERVICES TARIFF

II. LOCAL EXCHANGE SERVICES RATES (Continued)

B. Residential Packages (Continued)

**Monthly
Rate (1)**

5. Peoples Choice Select

\$89.99

- **Two Local Residential Access Lines with Tone Dialing**
- **Expanded Local Calling Service and**
- **Toll-Free One-Way Local Calling Scope (7)**
- **Optional Services** – Choice of up to nine (9) of the following services: (2)
 - Call Forwarding
 - Call Forwarding-Busy
 - Call Forwarding-No Answer
 - Call Waiting w/ Cancel Call Waiting
 - Speed Calling
 - Three Way Calling
 - Call Block
 - Anonymous Call Block
 - Caller ID – Calling Name and Number Delivery
 - Voicemail (6)
- **Nationwide Toll Calling (3)**
- **DSL NSPEED 1MB with unlimited access to the Internet (4) (5)**

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- (1) Rates do not include applicable state and federal taxes and surcharges or the End User Common Line Charge, as approved in the Cooperative's Interstate Access Service Tariff, National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5.
- (2) Customers that sign up for Peoples packages will receive a total of nine optional services that can be placed on either line.
- (3) Toll Calling is provided by Peoples Communication, Inc. Certain restrictions may apply.
- (4) DSL/Internet Service is provided by Peoples Communication, Inc. Customers can upgrade DSL NSPEED up to 2MB for an additional monthly fee.
- (5) Package prices do not include installation and equipment charges for DSL. Equipment is free with a one-year term contract for DSL service. Early termination fee is \$250. If a customer cancels package subscription but continues DSL service, early termination fee does not apply.
- (6) Voicemail is a non-regulated service and is included in the package rate.
- (7) Effective June 1, 2013, the non-optional Toll-Free One-Way Local Calling Scope is included as part of this package to subscribers. The description of the local calling scope and applicable exchanges are listed in this Section on Page 11.

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MEMBER SERVICES TARIFF

II. LOCAL EXCHANGE SERVICES RATES (Continued)

B. Residential Packages (Continued)

	<u>Monthly Rate</u> (1)
6. Peoples Choice Basic	\$79.99
- Two Local Residential Access Lines with Tone Dialing	
- Expanded Local Calling Service and	
- Toll-Free One-Way Local Calling Scope (7)	
- Optional Services – Choice of up to nine (9) of the following services: (2)	
Call Forwarding	
Call Forwarding-Busy	
Call Forwarding-No Answer	
Call Waiting w/ Cancel Call Waiting	
Speed Calling	
Three Way Calling	
Call Block	
Anonymous Call Block	
Caller ID – Calling Name and Number Delivery	
Voicemail (6)	
- Nationwide Toll Calling (3)	
- DSL NSPEED 512K with unlimited access to the Internet (4) (5)	

- (1) Rates do not include applicable state and federal taxes and surcharges or the End User Common Line Charge, as approved in the Cooperative's Interstate Access Service Tariff, National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5.
- (2) Customers that sign up for Peoples packages will receive a total of nine optional services that can be placed on either line.
- (3) Toll Calling is provided by Peoples Communication, Inc. Certain restrictions may apply.
- (4) DSL/Internet Service is provided by Peoples Communication, Inc. Customers can upgrade DSL NSPEED up to 2MB for an additional monthly fee.
- (5) Package prices do not include installation and equipment charges for DSL. Equipment is free with a one-year term contract for DSL service. Early termination fee is \$250. If a customer cancels package subscription but continues DSL service, early termination fee does not apply.
- (6) Voicemail is a non-regulated service and is included in the package rate.
- (7) Effective June 1, 2013, the non-optional Toll-Free One-Way Local Calling Scope is included as part of this package to subscribers. The description of the local calling scope and applicable exchanges are listed in this Section on Page 11.

MEMBER SERVICES TARIFF

II. LOCAL EXCHANGE SERVICES RATES (Continued)

B. Residential Packages (Continued)

	Monthly Rate (1)
7. Two-Lines with Advanced Features and Nationwide Toll Calling-II	\$59.99
- 2 Residential Access Lines with Tone Dialing on both lines	
- Expanded Local Calling Service and	
- Toll-Free One-Way Local Calling Scope on both lines (7)	
- Optional Services – Choice of up to nine (9) of the following services (2)	
Call Forwarding	
Call Forwarding-Busy	
Call Forwarding-No Answer	
Call Waiting w/ Cancel Call Waiting	
Speed Calling	
Three Way Calling	
Anonymous Call Block	
Calling Name and Number Delivery	
Call Waiting ID (3)	
Voicemail (4)	
- Nationwide Calling Plan (5)	
- OPTIONAL: Add Dial-Up Internet access for \$11.95 per month (6)	

- (1) Rates do not include applicable state and federal taxes and surcharges or the End User Common Line Charge, as approved in the Cooperative's Interstate Access Service Tariff, National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5.
- (2) Customers can choose a total of nine optional services for both lines. For example, five optional services on the first line and four optional services on the second line.
- (3) Call Waiting and Calling Name and Number Delivery is required to subscribe to Call Waiting ID.
- (4) Voicemail is a non-regulated service and is included in the package rate.
- (5) Nationwide Calling Plan is provided by Peoples Communication, Inc. and is capped at 2,000 minutes per month. A rate of \$.10 per minute is applied after the initial 2,000 minutes.
- (6) Dial-Up Internet Access is provided by Peoples Communication, Inc. Certain restrictions apply.
- (7) Effective June 1, 2013, the non-optional Toll-Free One-Way Local Calling Scope is included as part of this package to subscribers. The description of the local calling scope and applicable exchanges are listed in this Section on Page 11.

MEMBER SERVICES TARIFF

II. LOCAL EXCHANGE SERVICES RATES (Continued)

B. Residential Packages (Continued)

	Monthly Rate (1)
8. Peoples Choice Premium-II	\$139.99
- Two Local Residential Access Lines with Tone Dialing	
- Expanded Local Calling Service and	
- Toll-Free One-Way Local Calling Scope on both lines (8)	
- Optional Services – Choice of up to nine (9) of the following services: (2)	
Call Forwarding	
Call Forwarding-Busy	
Call Forwarding-No Answer	
Call Waiting w/ Cancel Call Waiting	
Speed Calling	
Three Way Calling	
Anonymous Call Block	
Calling Name and Number Delivery	
Call Waiting ID (3)	
Voicemail (4)	
- Unlimited Nationwide Calling Plan (5)	
- DSL NSPEED 4MB with unlimited access to the Internet (6)(7)	
Optional: DSL NSPEED 6MB with unlimited access to the internet for an extra \$50 per month, where technically feasible. (6)(7)	

- (1) Rates do not include applicable state and federal taxes and surcharges or the End User Common Line Charge, as approved in the Cooperative's Interstate Access Service Tariff, National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5.
- (2) Customers can choose a total of nine optional services for both lines. For example, five optional services on the first line and four optional services on the second line.
- (3) Call Waiting and Calling Name and Number Delivery is required to subscribe to Call Waiting ID.
- (4) Voicemail is a non-regulated service and is included in the package rate.
- (5) Unlimited Nationwide Calling Plan is provided by Peoples Communication, Inc. Certain restrictions apply.
- (6) DSL/Internet Service is provided by Peoples Communication, Inc.
- (7) Package prices do not include installation and equipment charges for DSL. Equipment is free with a one-year term contract for DSL service. Early termination fee is \$250. If a customer cancels package subscription but continues DSL Service, early termination fee does not apply.
- (8) Effective June 1, 2013, the non-optional Toll-Free One-Way Local Calling Scope is included as part of this package to subscribers. The description of the local calling scope and applicable exchanges are listed in this Section on Page 11.

MEMBER SERVICES TARIFF

II. LOCAL EXCHANGE SERVICES RATES (Continued)

B. Residential Packages (Continued)

**Monthly
Rate (1)**

- 9. Peoples Choice Select Plus-II** **\$99.99**
- **Two Local Residential Access Lines with Tone Dialing**
 - **Expanded Local Calling Service and**
 - **Toll-Free One-Way Local Calling Scope on both lines (8)**
 - **Optional Services – Choice of up to nine (9) of the following services: (2)**
 - Call Forwarding
 - Call Forwarding-Busy
 - Call Forwarding-No Answer
 - Call Waiting w/ Cancel Call Waiting
 - Speed Calling
 - Three Way Calling
 - Anonymous Call Block
 - Calling Name and Number Delivery
 - Call Waiting ID (3)
 - Voicemail (4)
 - **Unlimited Nationwide Calling Plan (5)**
 - **DSL NSPEED 2MB with unlimited access to the Internet (6)(7)**

- (1) Rates do not include applicable state and federal taxes and surcharges or the End User Common Line Charge, as approved in the Cooperative's Interstate Access Service Tariff, National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5.
- (2) Customers can choose a total of nine optional services for both lines. For example, five optional services on the first line and four optional services on the second line.
- (3) Call Waiting and Calling Name and Number Delivery is required to subscribe to Call Waiting ID.
- (4) Voicemail is a non-regulated service and is included in the package rate.
- (5) Unlimited Nationwide Calling Plan is provided by Peoples Communication, Inc. Certain restrictions apply.
- (6) DSL/Internet Service is provided by Peoples Communication, Inc.
- (7) Package prices do not include installation and equipment charges for DSL. Equipment is free with a one-year term contract for DSL service. Early termination fee is \$250. If a customer cancels package subscription but continues DSL Service, early termination fee does not apply.
- (8) Effective June 1, 2013, the non-optional Toll-Free One-Way Local Calling Scope is included as part of this package to subscribers. The description of the local calling scope and applicable exchanges are listed in this Section on Page 11.

MEMBER SERVICES TARIFF

II. LOCAL EXCHANGE SERVICES RATES (Continued)

B. Residential Packages (Continued)

	<u>Monthly Rate</u> (1)
10. Peoples Choice Select-II	\$89.99
- Two Local Residential Access Lines with Tone Dialing	
- Expanded Local Calling Service and	
- Toll-Free One-Way Local Calling Scope (8)	
- Optional Services – Choice of up to nine (9) of the following services: (2)	
Call Forwarding	
Call Forwarding-Busy	
Call Forwarding-No Answer	
Call Waiting w/ Cancel Call Waiting	
Speed Calling	
Three Way Calling	
Anonymous Call Block	
Calling Name and Number Delivery	
Call Waiting ID (3)	
Voicemail (4)	
- Unlimited Nationwide Calling Plan (5)	
- DSL NSPEED 2MB with unlimited access to the Internet (6)(7)	

- (1) Rates do not include applicable state and federal taxes and surcharges or the End User Common Line Charge, as approved in the Cooperative's Interstate Access Service Tariff, National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5.
- (2) Customers can choose a total of nine optional services for both lines. For example, five optional services on the first line and four optional services on the second line.
- (3) Call Waiting and Calling Name and Number Delivery Service required to subscribe to Call Waiting ID.
- (4) Voicemail is a non-regulated service and is included in the package rate.
- (5) Unlimited Nationwide Calling Plan is provided by Peoples Communication, Inc. Certain restrictions apply.
- (6) DSL/Internet Service is provided by Peoples Communication, Inc.
- (7) Package prices do not include installation and equipment charges for DSL. Equipment is free with a one-year term contract for DSL service. Early termination fee is \$250. If a customer cancels package subscription but continues DSL Service, early termination fee does not apply.
- (8) Effective June 1, 2013, the non-optional Toll-Free One-Way Local Calling Scope is included as part of this package to subscribers. The description of the local calling scope and applicable exchanges are listed in this Section on Page 11.

MEMBER SERVICES TARIFF

II. LOCAL EXCHANGE SERVICES RATES (Continued)

B. Residential Packages (Continued)

**Monthly
Rate (1)**

11. Peoples Choice Basic-II

\$79.99

- **Two Local Residential Access Lines with Tone Dialing**
- **Expanded Local Calling Service and**
- **Toll-Free One-Way Local Calling Scope on both lines (8)**
- **Optional Services** – Choice of up to nine (9) of the following services: (2)
 - Call Forwarding
 - Call Forwarding-Busy
 - Call Forwarding-No Answer
 - Call Waiting w/ Cancel Call Waiting
 - Speed Calling
 - Three Way Calling
 - Anonymous Call Block
 - Calling Name and Number Delivery
 - Call Waiting ID (3)
 - Voicemail (4)
- **Unlimited Nationwide Calling Plan (5)**
- **DSL NSPEED 1MB with unlimited access to the Internet (6)(7)**

- (1) Rates do not include applicable state and federal taxes and surcharges or the End User Common Line Charge, as approved in the Cooperative's Interstate Access Service Tariff, National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5.
- (2) Customers can choose a total of nine optional services for both lines. For example, five optional services on the first line and four optional services on the second line.
- (3) Call Waiting and Calling Name and Number Delivery is required to subscribe to Call Waiting ID.
- (4) Voicemail is a non-regulated service and is included in the package rate.
- (5) Unlimited Nationwide Calling Plan is provided by Peoples Communication, Inc. Certain restrictions apply.
- (6) DSL/Internet Service is provided by Peoples Communication, Inc.
- (7) Package prices do not include installation and equipment charges for DSL. Equipment is free with a one-year term contract for DSL service. Early termination fee is \$250. If a customer cancels package subscription but continues DSL Service, early termination fee does not apply.
- (8) Effective June 1, 2013, the non-optional Toll-Free One-Way Local Calling Scope is included as part of this package to subscribers. The description of the local calling scope and applicable exchanges are listed in this Section on Page 11.

MEMBER SERVICES TARIFF

III. LOCAL EXCHANGE SERVICES RATES (Continued)

B. Residential Packages

Monthly
Rate (1)

12. Peoples Standard \$39.99
- 1 Local Residential Access line with Tone Dialing
 - Expanded Local Calling Service and
 - Toll-Free One-Way Local Calling Scope (6)
 - Optional Services – Choice of up to nine (9) of the following services
 - Call Forwarding
 - Call Forwarding-Busy
 - Call Forwarding-No Answer
 - Call Waiting w/ Cancel Call Waiting
 - Speed Calling
 - Three Way Calling
 - Anonymous Call Block
 - Calling Name and Number Delivery
 - Call Waiting ID (3)
 - Voice Mail (4)
 - Nationwide Calling Plan (5)

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- (1) Rates do not include applicable state and federal taxes and surcharges or the End User Common Line Charge, as approved in the Cooperative's Interstate Access Service Tariff, National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5.
- (2) Customers can choose a total of nine optional services for both lines. For example, five optional services on the first line and four optional services on the second line.
- (3) Call Waiting and Calling Name and Number Delivery is required to subscribe to Call Waiting ID.
- (4) Voicemail is a non-regulated service and is included in the package rate.
- (5) Nationwide Calling Plan is provided by Peoples Communication, Inc. and is capped at 2,000 minutes per month. A rate of \$.10 per minute is applied after the initial 2,000 minutes.
- (6) Effective June 1, 2013, the non-optional Toll-Free One-Way Local Calling Scope is included as part of this package to subscribers. The description of the local calling scope and applicable exchanges are listed in this Section on Page 11.

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LINE 3010 – MILESTONE CERTIFICATION

Peoples Telephone Cooperative, Inc. (“the Cooperative”) hereby certifies that the Cooperative has taken reasonable steps to provide upon reasonable request broadband service at actual speeds of at least 10 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas, at rates that are reasonably comparable to rates for comparable offerings in urban areas, and that requests for such service are met within a reasonable amount of time. If the Cooperative determines that a request for broadband at actual speeds of at least 10 Mbps downstream/1 Mbps upstream is unreasonable, and offering broadband service at actual speeds of at least 4 Mbps downstream/1 Mbps upstream is reasonable, the Cooperative offers broadband service of at least 4 Mbps downstream/1 Mbps upstream.

**Texas 557 Quitman
Peoples Telephone Cooperative, Inc.,
and Subsidiaries**

**Consolidated Financial Statements
And Supplemental Information**

**As of September 30, 2015 and 2014
With Independent Auditor's Report**

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
INDEX TO FINANCIAL STATEMENTS
As of September 30, 2015 and 2014

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ARNOLD, WALKER, ARNOLD, & Co., P.C.
Certified Public Accountants and Consultants

Bob J. Arnold, C.P.A., P.F.S.
 Lanny G. Walker, C.P.A., P.F.S.
 Kris Arnold, C.P.A., P.F.S.
 Andrew T. Arnold, C.P. A.
 Melissa J. Godfrey, C.P.A.

MEMBER

American Institute Of
 Certified Public Accountants

Texas State Society Of
 Certified Public Accountants

Independent Auditor's Report

Board of Directors
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas 75783

Report on the Financial Statements

We have audited the accompanying consolidated balance sheets of Peoples Telephone Cooperative, Inc., and Subsidiaries as of September 30, 2015 and 2014, and the related consolidated statements of income, consolidated statements of membership equity and consolidated statements of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Peoples Telephone Cooperative, Inc., and Subsidiaries as of September 30, 2015 and 2014, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements.

The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

December 4, 2015

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
CONSOLIDATED BALANCE SHEETS
 As of September 30, 2015 and 2014
 (Dollars in thousands)

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents		
Telecommunications accounts receivable		
(less allowance of ■ in 2015 and ■ in 2014)		
Accounts receivable--nonaffiliated companies		
Inventory		
Prepaid expenses and other current assets		
TOTAL CURRENT ASSETS		
INVESTMENTS AND OTHER ASSETS		
Investment in associated organizations		
Notes receivable--nonaffiliated companies		
Other assets		
TOTAL INVESTMENTS AND OTHER ASSETS		
PROPERTY, PLANT AND EQUIPMENT		
Telecommunications plant under construction		
Telecommunications plant in service		
TOTAL PROPERTY, PLANT AND EQUIPMENT		
Less accumulated depreciation		
NET PROPERTY, PLANT AND EQUIPMENT		
TOTAL ASSETS		

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
CONSOLIDATED BALANCE SHEETS
 As of September 30, 2015 and 2014
 (Dollars in thousands)

LIABILITIES, MEMBERSHIP EQUITY AND RETAINED EARNINGS

	<u>2015</u>	<u>2014</u>
CURRENT LIABILITIES		
Accounts payable and advance billing		
Current maturities--long-term debt		
Customer deposits		
Accrued taxes		
Accrued interest		
Accrued sick leave and vacation		
 TOTAL CURRENT LIABILITIES		
LONG-TERM DEBT		
Notes payable		
OTHER LIABILITIES		
Postretirement benefits other than pensions		
Unearned revenues - NTIA grant		
 TOTAL OTHER LIABILITIES		
 TOTAL LIABILITIES		
MEMBERSHIP EQUITY AND RETAINED EARNINGS		
Memberships subscribed and issued		
Retained earnings		
Accumulated other comprehensive income (loss)--		
postretirement benefits other than pensions		
 TOTAL MEMBERSHIP EQUITY AND RETAINED EARNINGS		
 TOTAL LIABILITIES, MEMBERSHIP EQUITY AND RETAINED EARNINGS		

The accompanying notes are an integral part of these consolidated financial statements.

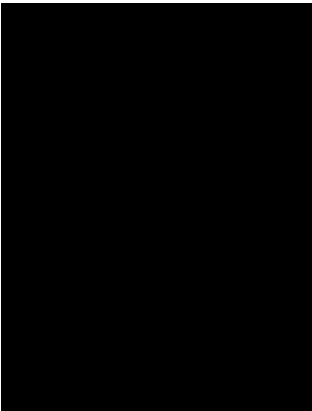
Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
CONSOLIDATED STATEMENTS OF INCOME
For the years ended September 30, 2015 and 2014
(Dollars in thousands)

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Local network services		
Carrier access/ roamer		
Other network		
NECA settlement		
Federal USF		
Texas USF		
Long distance operating revenue		
Miscellaneous revenue		
OPERATING EXPENSES		
Plant specific operations		
Plant nonspecific operations		
Depreciation		
Customer operations		
Corporate operations		
OPERATING INCOME (LOSS)		
NONOPERATING INCOME (LOSS)		
Other nonoperating income (loss)		
Sale of 850 MHz cellular B Block license		
NTIA grant revenue		
NTIA grant depreciation		
FIXED CHARGES		
Interest on long-term debt		
NET INCOME (LOSS) BEFORE PROVISION FOR FEDERAL INCOME TAX		
PROVISION FOR FEDERAL INCOME TAX		
NET INCOME (LOSS)		

The accompanying notes are an integral part of these consolidated financial statements.

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas

CONSOLIDATED STATEMENTS OF MEMBERSHIP EQUITY AND RETAINED EARNINGS
For the years ended September 30, 2015 and 2014
(Dollars in thousands)

	<u>2015</u>	<u>2014</u>
EQUITY--Beginning of year		
Comprehensive income:		
Net income (loss)		
Accumulated other income--		
net change in postretirement benefits other than pensions		
Comprehensive income (loss)		
Memberships subscribed and issued, net		
Capital credits paid		
EQUITY--End of year		

The accompanying notes are an integral part of these consolidated financial statements.

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended September 30, 2015 and 2014
(Dollars in thousands)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating income (loss)		
Adjustments to reconcile net income to net cash provided by operating activities--		
Depreciation		
(Increase) decrease in telecommunications accounts receivable		
(Increase) decrease in accounts receivable--nonaffiliated companies		
(Increase) decrease in inventory		
(Increase) decrease in prepaid expenses and other current assets		
Increase (decrease) in accounts payable and accrued expenses		
 Total adjustments		
 NET CASH PROVIDED BY OPERATING ACTIVITIES		
 CASH FLOWS FROM CAPITAL AND INVESTING ACTIVITIES		
Decrease in NTIA construction receivable		
Capital expenditures		
Investment in nonaffiliated entities, net		
(Decrease) in NTIA construction payables		
Nonoperating income (loss)		
 NET CASH (USED IN) PROVIDED BY CAPITAL AND INVESTING ACTIVITIES		
 CASH FLOWS FROM FINANCING ACTIVITIES		
Net (decrease) increase in notes payable		
Interest on long-term debt		
Payment of capital credits		
Net change in memberships subscribed		
 NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES		
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		
 CASH AND CASH EQUIVALENTS--Beginning of year		
 CASH AND CASH EQUIVALENTS--End of year		

The accompanying notes are an integral part of these consolidated financial statements.

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2015 and 2014
(Dollars in thousands)

Note 1--SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Cooperative is a diversified telecommunications service company, which, directly or through its wholly owned subsidiaries, provides wireline local and network access services, long distance telephone services, operator assisted calling services, telecommunications equipment sale and leasing services, cable television services, Internet access, wireless broadband and related services. The principal market for these telecommunications and cable services are local residential and business customers residing in Northeast Texas.

Local service rates charged to telephone customers are established by the Cooperative. Toll and access rates are subject to state and Federal Communications Commission regulation.

Accounting Method

Peoples Telephone Cooperative, Inc., (a Class A telephone company) and Subsidiaries follow accounting principles generally accepted in the U.S. These consolidated financial statements have been prepared using the accounting system prescribed in Part 32-Uniform System of the Accounts for Class A Telephone Companies as promulgated by the Federal Communications Commission.

Basis of Presentation

The consolidated financial statements include the accounts of Peoples Telephone Cooperative, Inc. (collectively referred to as the Cooperative) and its wholly-owned subsidiary Peoples Holding, Inc. which wholly owns Peoples Communication, Inc. (PCI) and Peoples Fibercom Corporation (PFC), dba Connexions Telcom.

Peoples Holding, Inc. also owns Peoples Wireless, LP by way of a 99.9% limited partner interest and by Peoples Holding, Inc.'s complete ownership of Peoples GP, LLC the 0.1% general partner of Peoples Wireless, LP.

An intermediary holding company (Peoples Holding, Inc.) was organized to hold investment in subsidiaries formerly held by the Cooperative. Peoples GP, LLC was formed to serve as the general partner of Peoples Wireless, LP.

All significant intercompany transactions are eliminated in the consolidation process. Investments in subsidiaries are accounted for under the equity method.

Investment in Nonaffiliated Companies

Investment in nonaffiliated companies is stated at cost.

Inventory

Inventories are recorded at weighted average unit cost.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Bad Debts

The allowance for bad debts represents a provision for possible uncollectible accounts based upon estimates of management and historical experience.

Research and Development Costs

Research and development costs are charged to operations when incurred.

Telephone Plant and Depreciation Reserves

Telecommunications plant is stated substantially at original cost. Additions, replacements, and renewals of property determined to be units of property are charged to telecommunications plant accounts. The replacement of plant determined not to be a unit of property and the cost of maintenance and repair are charged to operating expense. Normal retirements are charged in total to the accumulated depreciation accounts along with the cost of removal, less salvage, with no gain or loss recognized. Depreciation expense is computed using the straight-line composite method based on estimated service lives of the various classes of depreciable property. The service lives of the regulated property are approved by the PUC.

The carrying value of long-lived assets is reviewed for impairment at least annually, or whenever events of changes in circumstances indicate that such carrying value may not be recoverable.

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2015 and 2014
(Dollars in thousands)

Note 1--SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Credits

Net income from operations is assigned to patrons on a patronage basis.

Income Taxes

As an organization formed under Internal Revenue Code Section 501(c)(12), Peoples Telephone Cooperative must receive 85 percent of its gross income from members to be tax exempt. PTC is not taxable at the state level. PCI and PFC are corporations and are taxable in both the federal and State of Texas jurisdictions. PTC files a consolidated federal income tax return with its subsidiaries.

Peoples Wireless, LP has elected taxation as a C corporation.

Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The major temporary differences that give rise to the net deferred tax liability are differences in the bases of partnership investments and differences in depreciation methods and lives used for financial and income tax reporting.

The State of Texas franchise tax is an income tax based on modified gross revenue and referred to as the Margin Tax. Subsidiary entities are subject to the Margin Tax.

We use a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. The first step is recognition: we determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is measurement: a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a return and amounts recognized in the financial statements will generally result in one or more of the following: an increase in liability for income taxes payable, a reduction of an income tax refund receivable, a reduction in a deferred tax asset, or an increase in a deferred tax liability. We have not identified any uncertain tax positions requiring adjustment or disclosure.

Revenue Recognition

Revenues are recognized when earned. Network access and long distance revenues are furnished in conjunction with interexchange carriers and are determined by cost separation studies. Network access revenues are based upon interstate tariffs filed with the Federal Communications Commission by the National Exchange Carriers Association and state tariffs filed with state regulatory agencies by the Texas Exchange Carriers Association, now known as the Texas Universal Service Fund. Management believes recorded revenues are reasonable based on estimates of final cost separation studies which are typically settled within two years.

Funds received under a National Telecommunications and Information Administration (NTIA) grant are presented as an unearned revenue. Revenue is recognized over a twenty year period (straight line) which is correlated with the depreciation life of the related "plant assets" constructed and acquired with grant proceeds.

Credit Risk

Financial instruments which potentially subject the Cooperative to concentrations of credit risk consist principally of temporary cash investments. The Cooperative places its temporary cash investments with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the Cooperative's large number of customers. The Cooperative maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Cooperative has not experienced any losses in such accounts. The Cooperative believes it is not exposed to any significant credit risk on temporary cash investments.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Cooperative and Subsidiaries consider all highly liquid investments with a maturity and liquidity of three months or less to be cash equivalents. Cash and cash equivalents are valued at market value.

Reclassifications

Certain reclassifications have been made to the 2014 financial statements to make them comparable with those of the current year.

Note 2--ASSETS PLEDGED

Substantially all assets are pledged as security for the long-term debt. See Note 7.

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2015 and 2014
(Dollars in thousands)

Note 3--INVESTMENT IN TELEPHONE PLANT

Telephone plant in service and under construction is stated at cost. Listed below are the major classes of the telephone plant as of September 30, 2015 and 2014:

	2015	2014
Land		
Vehicles and work equipment		
Buildings		
Furniture and office equipment		
Central office equipment		
Telephone plant and fiber		
 Total Telecommunications Plant in Service		
 Telecommunications Plant Under Construction		

Depreciation expense for the twelve months ended September 30, 2015 and 2014 was [REDACTED] respectively. General plant depreciation rates have been applied on a straight-line basis and are as follows:

Buildings		Buried fiber	
Buried cable		Circuit equipment-special	
Carrier site equipment		Company communications	
Office support equipment		equipment	
Vehicles		WiMax site equipment	
Garage equipment		Furniture	
Computers		Microwave equipment	

Note 4--INVESTMENT IN ASSOCIATED ORGANIZATIONS

Investments are stated at cost and consist of the following:

	2015	2014
National Telecom Corporation		
Rural Telephone Finance Cooperative		
Net America Alliance, LLC		
NECA		
Texas LS Network		
PEX Networks, LLC		
Total		

The carrying values of these investments will be adjusted if we believe that there is a decline in the value below cost that is other than temporary.

Note 5--NOTES RECEIVABLE--NONAFFILIATED COMPANIES

A summary of notes receivable follows:

Communications Supply Service Association, [REDACTED] due December, 2015 at 5% interest.

Note 6--ACCOUNTS PAYABLE

Construction contract estimates and retainages included in accounts payable is approximately [REDACTED] at September 30, 2015 and 2014 respectively.

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2015 and 2014
(Dollars in thousands)

Note 7--NOTES PAYABLE

Long-term debt is represented by mortgage notes and line of credit arrangements payable to the Rural Telephone Finance Corporation (RTFC). Following is a summary of outstanding long-term debt:

RTFC 2.90-3.50% principal and interest paid quarterly

Principal and interest installments on the above notes are due quarterly. The approximate maturities of long-term debt for the five years succeeding the balance sheet date are as follows:

<u>Year ended</u> <u>September 30</u>	<u>RTFC</u> <u>Principal</u>	<u>RTFC</u> <u>Interest</u>
2016		
2017		
2018		
2019		
2020		

The long-term debt agreements contain restrictions on the payment of patrons' capital credits. The terms of the debt agreements require the maintenance of defined amounts of membership equity and earnings.

Note 8--RELATED PARTY TRANSACTIONS

In the normal course of business, the Cooperative conducts business with affiliated companies.

Note 9--SICK LEAVE AND VACATION POLICIES

Sick leave and vacation policies have been adopted by Peoples Telephone Cooperative, Inc. Each full-time employee is allowed 80 hours (10 days) of sick leave after one year of service. If the employee starts employment any time other than January 1, sick leave will be prorated the first year. If during a full succeeding year (January 1 through December 31) an employee does not utilize all of the sick leave time, the remaining days will be carried forward to the next year and 10 additional days will be added each year. There is no limit on the amount of days of sick leave that can be accrued. If an employee is terminated or quits the Cooperative, all accrued sick leave is forfeited. When an employee retires, the Cooperative shall buy back the accumulated sick leave days at the rate of 50% of a regular day's salary.

Concerning vacation policies, an employee of the Cooperative will have earned a vacation after having worked for the Cooperative for one full year. If the employee starts employment other than January 1, vacation time will be prorated the first year. During the first five years of employment, vacation time is earned at the rate of 80 hours (2 weeks) per calendar year. During the sixth through fifteenth years of employment, paid vacation will be earned at the rate of 120 hours (3 weeks) annually. During the sixteenth year of employment and beyond, vacation will be earned at the rate of 160 hours (4 weeks) annually. Employees will be permitted to carry over unused amounts of earned vacation from one calendar year to the next up to a maximum of the number of annual vacation days eligible that year. Deferred assets and accrued liabilities have been recorded to reflect these policies. As sick leave or vacation is actually taken by the employees, the accrued liability is decreased. Peoples Communication, Inc., and Peoples Wireless Services LP have no employees.

Note 10--BENEFIT PLANS

Pension benefits for substantially all employees are provided through the National Telephone Cooperative Association Retirement and Security Program (a defined benefit plan) and Savings Plan (a defined contribution plan). The Company makes annual contributions to the plans equal to the amounts accrued for pension expense. The Retirement and Security Program is a multi-employer plan and the accumulated benefits and plan assets are not determined or allocated separately by individual employer. The total pension costs for the fiscal years 2015 and 2014 were [REDACTED] respectively.

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2015 and 2014
(Dollars in thousands)

Note 11--POSTRETIREMENT BENEFITS OTHER THAN PENSION

The Cooperative provides certain health care benefits for eligible retired employees. The Cooperative accrues benefits over the employee service period until the employee becomes fully eligible to receive benefits. The Cooperative has elected to amortize the initial transition obligation of [REDACTED] over 20 years. The transition obligation represents the actuarial present value of benefits attributed to employee service rendered to October 1, 1993. This plan has not been fully funded.

The following table sets forth the plan's status as of September 30, 2015 and 2014:

Obligations and Funded Status

	<u>2015</u>	<u>2014</u>
Benefit obligation measured at September 30	[REDACTED]	
Fair value of plan assets measured at September 30		
Funded status - liability recognized in the balance sheet		
Net periodic benefit cost		

Assumptions

Weighted average assumptions used to determine the benefit obligations nad net periodic benefit cost

Discount rate
Expected return on plan assets
Rate of compensation increase

[REDACTED]

The health care cost trend rate used to measure the expected cost of benefits was a 7.0 percent annual rate of increase in 2015, gradually continuing to decline to 5.0 percent by the year 2017.

Cash flows

The Company expects to contribute actual annual costs to its postretirement benefit plan in 2015.

Accumulated Other Comprehensive Income (AOCI):

	<u>2015</u>	<u>2014</u>
Amounts recognized in comprehensive income (loss):	[REDACTED]	
Net gain (loss) arising during the year		
Amortization of net gain/loss		
Amortization of prior service costs		
Amortization of transition obligation		

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Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2015 and 2014
(Dollars in thousands)

Note 12--CAPITAL CREDITS

Long-term debt agreements with RTFC (Note 7), contain restrictions on the membership equity of the Cooperative. The restrictions are related in general to the Cooperative's adjusted net worth and assets as defined in the agreements. Dividends and other cash disbursements require RTFC's written consent when net worth as a percentage of total assets is forty percent or less.

During the year, the Cooperative obtained RTFC approval to pay capital credits of up to [REDACTED]. After consideration of cash flows and budgetary matters, the Cooperative plans to pay capital credits of [REDACTED] during fiscal year end 2016.

Note 13--FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents approximates their fair value due to the short maturity of the investments.

Note 14--SUBSIDIARIES

As of September 30, 2015:

Peoples Holding, Inc.

Wholly-owned subsidiary of the Cooperative. Serves as intermediary holding company with ownership as follows:

- Peoples Communication, Inc.
The corporation was formed to conduct deregulated telecommunications business for customers/members of Peoples Telephone Cooperative, Inc.
- Peoples Wireless, LP (99.9% limited partner interest)
Entity provides fixed wireless broadband and voice services in Wood and Rains Counties, Texas.
- Peoples Fibercom Corporation
Peoples Fibercom Corporation, a Texas corporation, wholly owns Connexions Telcom. Connexions provides various telecommunications, internet, and CATV services in Rockwall and Kaufman Counties.
- Peoples GP, LLC
Serves as general partner for Peoples Wireless, LP. Owns 0.1% interest in such partnership.

Note 15--CASH AND CASH EQUIVALENTS INFORMATION

Cash paid during the fiscal year for:	<u>2015</u>	<u>2014</u>
Interest (net of capitalized interest)	[REDACTED]	
Income taxes		

Note 16--RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the cooperative purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Note 17--CONCENTRATIONS OF CREDIT RISK

Financial instruments that subject the Cooperative to concentrations of credit risk consist primarily of temporary cash investments and trade receivables. The Cooperative's policy is to place temporary cash investments with federally insured financial institutions and to require supplemental deposit insurance for certain bank accounts. Management believes the risk of credit loss due to nonperformance by counter parties is remote and any losses would not be material to the results of operations or financial condition.

Concentrations of credit risk with respect to telecommunications accounts receivable are limited due to the large number of customers. Management believes this risk to be low based on the nature of the receivables.

Texas 557 Quitman
Peoples Telephone Cooperative, Inc., and Subsidiaries
Quitman, Texas
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2015 and 2014
(Dollars in thousands)

Note 18--LITIGATION

As of September 30, 2015, the Cooperative was not involved in any significant litigation.

Note 19--SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 4, 2015, the financial statement issuance date.

SUPPLEMENTAL INFORMATION

Texas 557
Peoples Telephone Cooperative, Inc. and Subsidiaries
Quitman, Texas
BALANCE SHEETS
As of September 30, 2015
(In thousands)

	Peoples Telephone Cooperative, Inc.	Peoples Holding, Inc.	Peoples Communications, Inc.	Peoples Wireless Services Corporation	Peoples Fibercom Corporation
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents					
Telecommunications accounts receivable, net					
Accounts receivable-nonaffiliated companies					
Inventory					
Prepaid expenses and other current assets					
TOTAL CURRENT ASSETS					
INVESTMENTS AND OTHER ASSETS					
Investment in associated organizations					
Investment in Peoples Communication, Inc.					
Investment in Peoples Fibercom					
Investment in Peoples GP, LLC					
Investment in Peoples Wireless					
Investment in Peoples Holding Inc.					
Accounts receivable-affiliated companies					
Notes receivable-nonaffiliated companies					
Investment in 700MHZ					
TOTAL INVESTMENTS AND OTHER ASSETS					
PROPERTY, PLANT AND EQUIPMENT					
Telecommunications plant under construction					
Telecommunications plant in service					
TOTAL PROPERTY PLANT AND EQUIPMENT					
Less accumulated depreciation					
NET PROPERTY PLANT AND EQUIPMENT					
TOTAL ASSETS					

Texas 557
Peoples Telephone Cooperative, Inc. and Subsidiaries
Quitman, Texas
BALANCE SHEETS
As of September 30, 2015
(In thousands)

	Peoples Telephone Cooperative, Inc.	Peoples Holding, Inc.	Peoples Communications, Inc.	Peoples Wireless Services Corporation	Peoples Fibercom Corporation
LIABILITIES AND EQUITIES					
CURRENT LIABILITIES					
Accounts payable-nonaffiliated companies					
Current maturities-long term debt					
Customer deposits					
Accrued taxes					
Accrued interest					
Accrued sick leave and vacation					
TOTAL CURRENT LIABILITIES					
LONG-TERM DEBT					
Notes payable					
OTHER LIABILITIES					
Postretirement benefits other than pensions					
Unearned revenues - grant					
Accounts payable-affiliated companies					
TOTAL OTHER LIABILITIES					
TOTAL LIABILITIES					
EQUITIES					
Common stock					
Paid in capital					
Partners capital					
Preferred stock					
Retained earnings (deficit)					
Accumulated other comprehensive income					
(loss)--postretirement benefits					
Memberships subscribed and issued					
Membership equity					
TOTAL EQUITIES (DEFICIT)					
TOTAL LIABILITIES AND EQUITIES					

Texas 557
Peoples Telephone Cooperative, Inc. and Subsidiaries
Quitman, Texas
STATEMENTS OF INCOME AND EQUITIES RETAINED
For the period ended September 30, 2015
(In thousands)

	<u>Peoples Telephone Cooperative, Inc.</u>	<u>Peoples Holding, Inc.</u>	<u>Peoples Communications, Inc.</u>	<u>Peoples Wireless Services Corporation</u>	<u>Peoples Fibercom Corporation</u>
OPERATING REVENUES					
Local network services					
Carrier access/ roamer					
Other network					
NECA settlement					
Federal USF					
Texas USF					
Long distance operating revenue					
Other					
OPERATING EXPENSES					
Plant specific operations					
Plant nonspecific operations					
Depreciation					
Customer operations					
Corporate operations					
OPERATING INCOME (LOSS)					
NONOPERATING INCOME (LOSS)					
Equity in net income (loss) of subsidiaries					
Nonregulated net income (loss)					
NTIA grant revenue					
NTIA grant depreciation					
Other					
FIXED CHARGES					
Interest on long-term debt					
Other					
NET INCOME (LOSS) BEFORE PROVISION FOR FEDERAL INCOME TAX					
PROVISION FOR FEDERAL INCOME (TAX) BENEFIT					
NET INCOME (LOSS) FOR THE PERIOD					
EQUITIES RETAINED (DEFICIT)					
Beginning of the year					
Less-Capital credits paid during the period					
Contributed capital					
End of the year					

Texas 557
Peoples Telephone Cooperative, Inc. and Subsidiaries
Quitman, Texas
STATEMENTS OF CASH FLOWS
 For the period ended September 30, 2015
 (In thousands)

	Peoples Telephone Cooperative, Inc.	Peoples Holding, Inc.	Peoples Communications, Inc.	Peoples Wireless Services Corporation	Peoples Fibercom Corporation
CASH FLOWS FROM OPERATING ACTIVITIES					
Net operating income (loss)					
Adjustments to reconcile net income (loss)					
to net cash operating activities--					
Depreciation					
(Increase) decrease in telecommunications accounts receivable					
(Increase) decrease in accounts receivable--nonaffiliated companies					
(Increase) decrease in inventory					
(Increase) decrease in prepaid expenses and other assets					
Decrease (increase) in amounts (due from)/to affiliated companies--net					
Increase (decrease) in accounts payable and accrued expenses					
Total adjustments					
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
CASH FLOWS FROM CAPITAL AND INVESTING ACTIVITIES					
Equity in net income (loss) of subsidiaries					
Capital expenditures					
Investment in entities					
Nonregulated net income (loss)					
Other nonoperating income					
NET CASH (USED IN) PROVIDED BY CAPITAL AND INVESTING ACTIVITIES					
CASH FLOWS FROM FINANCING ACTIVITIES					
Net (decrease) increase in notes payable					
Interest on long-term debt					
Add (less)-dividends/distributions					
Payment of capital credits					
Net change in memberships subscribed					
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES					
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
CASH AND CASH EQUIVALENTS--Beginning of year					
CASH AND CASH EQUIVALENTS--End of year					



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 Certified Public Accountants

Texas State Society Of
 Certified Public Accountants

December 4, 2015

Peoples Telephone Cooperative, Inc. and Subsidiaries
 Quitman, Texas

We have audited the financial statements of Peoples Telephone Cooperative, Inc. and Subsidiaries for the year ended September 30, 2015, and have issued our report thereon dated December 4, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 18, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Peoples Telephone Cooperative, Inc. and Subsidiaries are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Allowances for uncollectible accounts receivable is based upon Managements historical experience, methodical computations and aging assessments. Management's estimates of the depreciable lives of assets is based upon a range of lives generally used by telecommunications service entities. Management's estimates of liabilities of postretirement benefits other than pensions is based upon actuarial reporting. We evaluated the key factors and assumptions used in developing these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 4, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Peoples Telephone Cooperative, Inc. and Subsidiaries and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully,

Arnold, Walker, Arnold & Co., P.C.

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